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# **China**

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# China

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## GENERAL

### MFA Official Discusses Gulf Relations, Palestinian Uprising

44040384 Kuwait AL-RA'Y AL-'AMM in Arabic  
21 Jul 88 p 20

[Interview with PRC Assistant Foreign Minister Yang Fuchang, by Ahmad Muhammad Shams-al-Din, Nayif 'Abdallah al-Rakibi, and 'Adnan Khalifah al-Rashid; "China Supports de Cuellar on Implementation of Resolution 598; The Uprising Has Embodied the Palestinian People's Rejection of Israeli Occupation;" in Beijing—date not specified; questioners not identified by question]

[Text] In the interview, PRC Assistant Foreign Minister Yang Fuchang stated that his country's relations with Kuwait are exemplary and a model to be followed in international relations, and that these bilateral relations are growing with the passage of time. He went on to invite Kuwaiti and Gulf tourists and investors to visit China to learn more about its culture since the foreign investment law offers many incentives and concessions to anyone who wants to invest in China.

During the interview, the Chinese assistant foreign minister explained that his country supports Secretary General de Cuellar's efforts to implement Resolution 598 pertaining to the Iraq-Iran war. He stressed that this resolution expresses a universal international desire and represents the best way to solve the Iraq-Iran conflict.

With reference to the uprising of the Palestinian people in the occupied Arab territories, the Chinese official mentioned that his government is keeping track of developments in this uprising, so important to the Middle East issue, which has embodied the Palestinian people's rejection of Israeli occupation. He also explained that his country supports this uprising and is giving it political and material assistance.

Here are the details of the interview with the Chinese assistant foreign minister.

[Question] In view of the fact that you were China's ambassador to Kuwait for more than 3 years, and considering your present position in the Chinese Foreign Ministry, could you give us a brief idea of Kuwaiti-Chinese relations?

[Answer] Kuwaiti-Chinese relations can be described as exemplary and as a model to be followed in the area of international relations. In fact, relations were good even before diplomatic relations were established between the two countries. In this connection, I recall that the present amir of Kuwait visited China in the early seventies when he was crown prince.

These bilateral relations have passed through several stages, starting with various aspects of trade and progressing to the export of Chinese manpower to Kuwait to assist in the

construction of several projects. A thousand Chinese engineers and technicians are working in your fraternal country right now, and this aspect is continually expanding. Kuwaiti-Chinese relations also include areas of investment. Here I would like to praise the Kuwait development fund which can be credited with the construction of several successful projects in China, particularly Sha Min airport in Fujian Province, which has contributed significantly to linking southern China with other provinces and cities.

In general, our bilateral relations can be said to be developing very well, and they will grow even more with the passage of time. The viewpoints of both countries' leaders are in complete agreement on many stands and issues. As long as we are talking about bilateral relations, I would like to invite Kuwaiti, Gulf, and Arab tourists in general to visit the East and learn about Chinese culture, especially since we have been experiencing over the past 10 years a period of openness towards other countries, an openness which I imagine will open up many areas of cooperation and mutual acquaintance between our people and other friendly peoples. Here I would also like to mention that our foreign investment law encourages both joint and individual investment and investors. Furthermore, the law provides concessions and facilities for foreign investors such as tax exemptions, the provision of raw materials, and so forth.

[Question] How are your country's relations with the countries of the Gulf Cooperation Council [GCC]?

[Answer] We have good relations with the GCC countries, and we are continually trying to develop and strengthen them. We have diplomatic relations with some of the GCC countries, and some of the others can feel the good relations which bind us to them. Our relations with the Kingdom of Saudi Arabia are direct and constant and cover many commercial aspects, and we are trying to strengthen and develop them. We look upon these relations optimistically, and we see good things for our people and for the people of these friendly countries.

[Question] How are the Chinese leaders dealing with the Iraq-Iran war, and how do you view developments in that war today?

[Answer] We have lived with this war ever since it broke out in September 1980. Actually, it is an extremely unfortunate thing, because it is between two neighboring Muslim countries. Everyone knows how many losses both sides have suffered because of the war.

We approach the war from the standpoint of neutrality, and we refuse to support one side over the other. China has made considerable efforts, and we have advised both sides to stop the war and bring this bloody conflict to an end by peaceful means. On the international scene, as you are aware, China took part in the formulation of Resolution 598, calling for an end to this war. We feel that this resolution must be implemented by both of the warring parties. The Chinese Government also sent a

special emissary to Iran last summer to try to convince Iran to comply with the resolution. Our permanent delegate to the UN Security Council is continually following up on this so this resolution can be implemented.

As for how we view the war and its developments, I can say that Resolution 598 expresses an international desire and must be implemented. We have made continual efforts towards this end, and we also support all efforts being made in this regard. Our support for Secretary General de Cuellar's efforts to implement this resolution has also been constant. Here I would like to point out that China, in working to implement this resolution, refuses to sell Chinese weapons to the warring parties.

[Question] As long as we are talking about the Chinese arms embargo against the warring parties, could you explain why Kuwait was subjected to bombing by Chinese-made Silkworm missiles?

[Answer] To begin with, I would like to say that Kuwait is not a party to this war, but it has been subjected to bombing by this kind of missile. The Chinese Government has declared its sympathy for the government and people of Kuwait. We also oppose the spread of the sparks of war to the peace-loving country of Kuwait.

Our government has been and still is following this issue with extreme concern. We sent a special emissary to Kuwait in July of last year to explain China's position to the Kuwaiti leaders. We found the Kuwait officials extremely understanding. In addition, we have taken strict measures to keep these missiles from getting out of China or out of the hands of other parties which have this weapon.

[Question] Some news media have said that China, Iran, and the Zionist entity intend to establish arms cooperation.

[Answer] The facts of the matter will expose these falsehoods and lies which are intended to stir up uneasiness under the present circumstances. We deny the whole thing. As everyone knows, we don't even have relations with Israel.

[Question] How do the Chinese leaders feel about the Palestinian uprising in the occupied Arab territories?

[Answer] Our government and people's agencies are paying a great deal of attention to the Palestinian people's uprising, which we in China believe is an influential factor in the Middle East issue. In its simplest sense, this uprising is a frank rejection of occupation. The attention of the international community has become focused on the issue.

In China, our stand on this cause is firm and rests on three bases. First of all, Israel must withdraw from the Arab territories it occupied in 1967. Secondly, the Palestinian people must be given all their legitimate national rights. And last, all parties in the region have the right to exist and

coexist in peace. Therefore, our stand is clear, unequivocal, and in total agreement with the resolutions of the Fez summit. We also support all initiatives, efforts, and resolutions which are consistent with the rights of the Palestinian people, and we oppose anything to the contrary. As for the uprising, it is receiving our full attention and concern. On our part, we have issued several official statements supporting and backing the uprising, and we have translated them into action by offering some modest material assistance to the Palestinian people.

[Question] What do you think about the resolutions issued at the recent Gorbachev-Reagan Moscow summit?

[Answer] We have voiced our welcome for the two presidents' meeting, and we hope relations between the two superpowers will improve. As for the resolutions issued at the summit meeting, particularly the question of arms reduction, we believe that the Soviet Union and the United States of America, as the two countries which possess weapons of destruction [as published], must reduce the number of such weapons from within. As for the regional conflicts, we fully support national sovereignty and the withdrawal of invading forces. Furthermore, the progress of East-West detente is satisfactory, and is strengthening international peace and security.

[Question] What are the main outlines of Chinese-Soviet relations?

[Answer] Economic, trade, and cultural relations are good and have improved noticeably. However, political relations have not returned to normal. We in China believe that there are several obstacles blocking the road to the resumption of political relations between the two countries, mainly the need for Vietnamese forces to withdraw from Cambodia, which requires Russian participation, in addition to the Afghanistan issue and the concentration of Soviet forces along the common borders. Although we don't want a showdown with the Russians, if the situation develops into a confrontation, the Russians will find the entire Chinese people lined up in defense.

It seems to us that Soviet leader Gorbachev has some ideas for reforms within his country. China supports his efforts and wishes him success, because we are passing through the same phase the Soviet Union is now experiencing.

[Question] What about Chinese-American relations?

[Answer] They are good, and are progressing as planned. There is a considerable amount of bilateral trade exchange, and cooperation in technological areas is continuing. However, the Taiwan issue still figures prominently in our relations with America. Everyone knows that Taiwan belongs to China; there are documents to prove it, and to say otherwise causes us discomfort. In addition, there are other clouds in the sky of bilateral relations, because of some people's interference in our purely internal affairs, especially the recent Tibetan incidents.

### Propagandist Discusses Nation's 'Spiritual Nature'

40050326a Shanghai SHEHUI KEXUE in Chinese  
No 5, 15 May 88 pp 2-6

[Article by Liu Tongfu 0491 3392 4395, Propaganda Department, Yancheng City Suburban Committee, Jiangsu: "Reflections on the Spiritual Nature of the Chinese Nation in the Present Era"]

[Text] People often use the Marxist dictum: "A true philosophy is the essence of the spirit of its own time", but if we turn this around: "In what philosophy is the true essence of the spirit of the present era?" we may end up puzzled. In our spiritual marketplace today people can see philosophies in vigorous competition and changing with each passing day just like commodities. Each philosophy is vying to display its rationality and appeal to the times. The sight of this blossoming in the intellectual realm is certainly to be cheered; but behind this blossoming, the danger to one's own nation by the lack of a spiritual nature of the times is growing at an alarming rate. The reason why a nation and country needs a philosophy of its own times is that it relies on it to provide the most basic method of thinking which is suited to its own time in order to master majestic cultural and spiritual phenomena. Once a philosophy becomes a majestic phenomenon, this nation and country cannot form its own basic method of thinking. Like a person with no definite views of his own, it cannot develop its own existential individuality and values.

It cannot be denied that Marxist philosophy, which was transmitted to China and combined with Chinese revolutionary practice, has, in the history of the past 100 years played the part of the spiritual nature of the Chinese nation; similarly, it cannot be denied that sinicized Marxist philosophy has today lost this position, and there is no one philosophy which can occupy this position. Where do we start today to search for the spiritual nature of our nation in the present era? Engels said that the theoretical thinking of an era is a product of history<sup>1</sup>, it is not an historical graft or an imitation of thinking from outside, but a profound reaction to one's own historical changes. Thus, the true way out must be through the difficult step of our reaction to the spiritual nature of past eras.

#### I

How does the spiritual nature of a new era grow up from the foundation of tradition? We might well look at the fate of Marxist philosophy in China. In the history of modern China, as Western armies, governments and economies invaded, various Western philosophies also came to China, including evolutionism, Machism, pragmatism, logical positivism, the philosophy of Nietzsche, the philosophy of Bergson, etc. They all had their own rationality and also had a group of Chinese who believed in them, but they were unable to put down roots in Chinese soil. In the past we often rejected them simply as "bourgeois reactionary philosophies", but in fact these bourgeois philosophies still

were advanced and revolutionary for semi-feudal and semi-colonial China. For example, pragmatism played an important role in the revolution and growth of the United States and today our scholarly world is just recognizing and absorbing anew its rational elements. Clearly, China's ideological soil did not accept these Western philosophies not because of such subjective judgments as "advanced and backward" or "revolution and reaction" which we later explained, but because we were restricted by different modes of thinking in East and West. That is to say, although on the surface China's traditional culture was shattered by Western civilization, the profound ways of thinking of traditional philosophy of an ancient people with a long history cannot be replaced easily by a philosophy from abroad no matter how advanced the philosophy from abroad is, for if it cannot adapt to this tradition, it cannot truly take root, nor can it become the spiritual nature of the times of this nation. Marxist philosophy is a Western philosophy which was able to put down roots in China and become the spiritual nature of the modern Chinese nation and if we penetrate the surface of such specific causes of politics and economics, then we can see that it has a profound fusion with basic ways of thinking of traditional Chinese philosophy.

In recent years much research comparing Chinese and Western philosophy has provided this clear clue: Western philosophy is involved with reason, and although it is constantly connecting with its own reality, in comparison with China, the basic tendency is separation, they are interested in knowledge for the sake of knowledge, science for the sake of science, and, to a fair degree, reason has cast off the control of reality and developed independently. This aspect has made their science and philosophy become the most advanced rational force; on the other hand it has also fallen into the opposition of reason and reality, spirit and matter and this opposition is the first aspect of the basic problem of philosophy which has formed the main current of Western philosophy from ancient Greece to modern times. However, in China, although we also have this contradiction and opposition in comparison with the West, the basic tendency is unity, "the unity of Heaven and Man," "the unity of knowledge and action" is the basic form and general principle of unifying the opposites of thought and existence into one in Chinese philosophy. This principle firmly ties philosophical wisdom and scientific theory understanding to the dialectical unity of the world and the harmony of mind and body of the human being on the limited base of reality and man, and although this way of thinking has profound rationality, it also hampered the independent growth and leading development of science and philosophy, and in modern times it fully exploded its own confinement and backwardness and only by sweeping aside superficial confinement and backwardness of Chinese traditional philosophy and at the same time also being able to merge with the deep rational elements in our traditional philosophy can modern Western philosophy be a spiritual nature of the new times and put down roots in this soil.

The most fundamental difference between Marxist philosophy and other Western philosophies is that beginning with classical German philosophy, European philosophy has had a tendency toward unity, and the identity of thought and existence as a second aspect of the basic issue of philosophy gradually became the center of gravity. However, other philosophies did not stop at such a height of unity. Although Hegel achieved the unity of the ideal, it did not have actual form, Feuerbach saw the problem but could not find an answer. Marxist thought is the one which takes completion of this identity as the starting point. We can find an explanation in two of his famous statements. One is "Philosophers only use different methods to explain the world, but the issue is to change the world,"<sup>2</sup> which profoundly reveals the shortcoming of the separation of theory and practice in other Western philosophies and provided a method for integrating theory and practice. This is identical with the Chinese traditional idea of "the unity of knowledge and action." The other statement is that the nature of man "is in his reality, it is the summation of all social relationships"<sup>3</sup> which cleverly pointed out the way for Western philosophy to overcome the problem of the opposition of man and the world. This way of thinking is in concert with the idea of "the unity of Heaven and Man" in traditional Chinese philosophy. Only because Marxist philosophy rescued again the rational elements in traditional Chinese philosophy from the confined and backward modern corrupted form by means of a profound foundation of a completely new Western scientific way of thinking was Marxist philosophy able to become the spiritual nature of the Chinese nation in the new era.

However, the complexity of history often hides contradictions and misunderstandings of deeper levels in an integrated form which on the surface is perfect. Since the unity of Marxist philosophy is presented on the scientific foundation developed during the long period of separation of thinking and existence in the West, what it requires is a self-conscious, rational form; but the unity of Chinese tradition is an uncivilized, indistinct form, thus the two unified philosophies which are integrated on the surface have differences in nature. Also, because Marx did not have time to write a systematic philosophy which returned to the starting point of philosophy from the specific realm of political economy and scientific socialism so that what people see is only single sentences and verbal conclusions from the overall conceptions left of Marx's early period. Yet the tradition of believing in a philosophy of aphorism in China over many years could easily treat the classical conclusions of Marx as truths in themselves, disregarding the process of forming the conclusions and the logical stipulations of the entire content, the result can only be literal blind worship of the classical conclusions, and if one day they are actually applied we are at a loss as to what to do, and can only make casual understanding and annotations in line with traditional methods of thinking. This means that while transforming traditional Chinese methods of thought, Marxist philosophy is assimilated by the negative aspects in traditional Chinese thought so that once Marxist

philosophy enters China, irrationality is injected into it and the more profound rationality cannot be expressed. The most puzzling historical phenomenon in the Hegelian dialectical method reappears here and that is as Engels said: "Everything that has reality in the realm of the history of mankind, with the passage of time, can become irrational, thus in terms of its basic nature, it is already irrational, from the very outset it harbors irrationality; everything in the human brain that is rational is destined to become reality, no matter how much it conflicts with extant, surface reality."<sup>4</sup> Since the rationality at the deeper levels of Marxist philosophy is not yet completely realized, it is possible and necessary to excavate the spiritual nature of the new era from Marx' extant philosophy.

## II

In the era when the entire Chinese nation reveres Marxism as the highest authority and absolute classic, being subject to our nation's most fundamental way of thinking can be reduced to two aspects:

**1. Materialistic Determinism.** That existence determines consciousness and matter determines spirit had extremely great value in the era of the proletarian revolution. However, as a way of thinking, once it is extended to other stages and levels, it turns into its opposite. Then such phenomena as action determines science, the worker determines the intellectual, etc., appeared. This way of thinking does not question or challenge the starting point of matter itself, but holds that all things which are real and can be felt are reliable, thus in specific problems people only believe their own experience and senses and look down on science and ignore theory.

**2. Practical Revolutionism.** Revolutionary practice was the mostly highly applied realm of Marx' dialectical method, but because practice was made a perceptual material activity, in the materialistic deterministic way of thinking, it became practical determinism; and due to the indefiniteness and immaturity of the extant dialectical method, in the understanding in the traditionally vague Chinese way of thinking it became a practical principle which would be annotated at will, so as long as practice is first and everything proceeds from practice it was considered that dialectical materialism was upheld, which was considered revolutionary and Marxist, so each person could dress up as a revolutionary Marxist under the hollow slogans of "practice" and "dialectical method" but ignore scientific and logical natures in practice. The practice of the Great Leap Forward, the practice of the Great Cultural Revolution, the practice of the foreign leap forward, etc., which of these did not raise high the banner of "practice is first"? Since in this blind practice the deterministic and vague dialectical method of thinking cannot provide people with self-conscious scientific foresight and logical judgment, so people are bound to look for a liberator, rely on gods,

thus superstition and worship of religion became popular. This most typical idealistic historical view and metaphysics became the most central part, an ingenious historical satire, in an era when materialism and the dialectical method were most revered.

Actually, materialistic determinism as a method, like the method of classical physics, proceeded from an unchanging foundation, in physics it is rigid matter, in philosophy it is abstract matter. When the self is not treated as the object of revolution or the object of observation, this method has classical significance and relative rationality; but when the self also becomes an object, all chaos occurs. Marx' dialectical method does not worship everything, it is made into an object of worship itself; an era of doubting everything simultaneously requires an idol of superstition. This logical paradox displays the limitations of this foundation, indicating the need for a thorough change in the method based on this foundation. This rule has been confirmed in other areas: the quantum paradox smashed the rigid foundation of classical mechanics, opening the new territory of modern quantum physics; Russell's paradox smashed the logical foundation of the form of traditional mathematics and created an entirely new course in modern mathematical philosophy; the ontological paradox revealed the metaphysical nature of traditional philosophy and opened the floodgates to the trends of modern Western philosophy. So what outlet does the logical paradox of the sinicized Marxist philosophical foundation reveal to us?

When the old philosophical method of materialistic determinism and practical revolutionism was still developing its own rationality in China, people could not see the irrationality hiding in it, and this is the tragedy of our past era; yet after we see today the lesson and, with the help of the comparison of the development of Western science and philosophy, we discover this irrationality, if we cannot find a new rationality in it to extend the spiritual nature of our nation's new era, this will become another tragedy of the times. However, the past few years most of the people in our philosophical circles have not been concerned with the logical paradox in the foundation of Marxist philosophy or under the influence of logical positivism's "rejecting ontological metaphysics" do not believe there is a new outlet in it; but a minority of those concerned also seem to be really unable to find an outlet. So people's vision is almost entirely concentrated on one new hot point—the question of man. The original materialistic, static, deterministic way of thinking has been replaced by the new content of "man." Generally speaking, this hot point has actually created a new situation, because man is matter, and even more spirit, so the idea of man is no longer a static materialistic base point. Man as material existence certainly may be restricted by the way of thinking of materialistic determinism of the outside world; however, man as a spiritual existence demands even more the maximum freedom in the practice of life. Man has pluralistic, divergent, chaotic, random, inspired ways of thinking, and needs to develop creativity in the freedom of this

way of thinking to realize self-value. At the same time, since the scholarly world found in the early manuscripts and late notes of Marx consideration of the issue of man and mankind and discovered in modern Western culture research tendencies revolving around man, thus they established a philosophy with man as the center radiating in various directions which has become the spiritual trend of our present era. However, when we ponder what fundamental way of thinking we are provided by this spiritual trend, we may be very perplexed. This is because a starting point like man is materially and spiritually contradictory, a changeable and hard to figure out moving flow and has fundamental differences from the static materialistic base point of traditional determinism and should make the transition from the static base point way of thinking to the dynamic contradiction way of thinking, indicating the fundamental change of an era's way of thinking.

Modern Western science and philosophy have definitely provided many accomplishments in ways of thinking, but for any ideology from abroad to become the principal spirit of our own nation it must also find a base point for growth in our own tradition. Just as is the case with imported technology and equipment, if it lacks a foundation for acceptance it can only become trash. Yet finding a new base point for a new way of thinking in traditional thinking, produces the complexity of the entire problem. The best known is often the most misunderstood. People know best the specific course, experience and needs of each of their own chance events, but from the angle of clarifying the inherent nature and laws behind these chance phenomena, "nothing is harder than knowing oneself." A new method of thinking which is the spiritual nature of an era naturally is not based on the everchanging specific and chance events of each different individual, but is based on the comprehension of the nature and laws of this type of dynamic base point and this itself is the difficulty. And since the foundation of the new method starts from the base point of traditional thinking it is bound to be affected by a thousand and one involvements with old ways of thinking and if people still cannot break away from these involvements, they cannot understand the new method; and as long as people still cannot comprehend the new method they cannot truly break away from this involvement. These are two historically most intricate and obscure difficult propositions: people often unavoidably follow the static method of old thinking to deal with actual contradictions of developing change, so they can only search for a static point of departure in the dynamic base point. Yet this point of departure can only be the sense of a specific and rigid experience and a substantiation of one event at one time. Their shallow, unsystematic, and non-inherent logicity and constant consistency reflects on the unpredictable changes, changes in policy, eagerness for quick success and instant benefit, short-sightedness, fuzzy thinking, lack of faith, lack of historical sense and primary national spirit, and not having a finger on the



pulse of the spirit of the times which can appear in practice in life. This is unimaginable for a great nation which wants to become a world power.

Thus we say that the way of thinking of the new era is definitely an issue of man, but the issue of man alone is not the point of departure of the new way of thinking. In his political and economic method Marx said that the old economist made man the starting point, when actually the complex synthesis of man was not the starting point, but the ending point. For the old way of thinking to find a way out in the complex end point was like a man who cannot swim jumping into the ocean to learn to swim; or a man who does not understand music trying to learn music theory from directly listening to a complex symphony: he cannot succeed unless he accepts the dangers and the chaos. Philosophy is not something that pursues fashion, but is wisdom that explores the nature and laws of things, thus according to its nature, it should find the simple starting point of the earliest development of the thing in the complex thing. It is self-evident that similarly, a new way out created from the foundation of the old way of thinking should proceed from the most basic problem.

### III

Actually, when scholars study the subjective system in the theory and practice of Marx in depth they have seen quite clearly that this is a dialectical movement that contains the historical nature of all the complex elements of the matter and spirit of mankind. It is hard to imagine throwing oneself into this movement and gaining freedom without revealing the systematic dialectical method of this movement's objective laws. However, how does such a dialectical method arise from an initial simple base point? Does it arise from a Hegelian absolutist spirit or from matter itself? This is an unavoidable question. In the preface to "Capital," Marx clearly states that the idealistic foundation of Hegelian dialectics should be transformed into a materialistic foundation. This transformation naturally is not a simple overlay of some dialectical laws and abstract material views. The materialistic deterministic method of thinking of the past is the result of such an overlay, which brought about the self-contradiction of the dialectical method and the metaphysics of matter itself, creating a logical paradox in the philosophical foundation, and the only way to overcome this paradox and find a self-conscious way out is by smashing the rigid metaphysical nature of the traditional concept of matter to make it become a living cell or seed from which the dialectical method of the objective world reappears logically.

However, up to the present this problem has puzzled our philosophers because people have not found an answer in the philosophical writings of Marx and Engels. Actually, in Marx' time there was not sufficient energy and objective conditions to complete this task because the development of all science still could not provide a logical cell or conceptual seed which could contain all the

world's complex factors. However, "Capital" provided a complete method. If we view the abstraction of "commodity" as a principal or material abstraction of the realm of economics, then Marx gradually develops a contradiction from the abstract analysis of the concept of commodity, all the dialectical laws produced by capitalism logically reappear, and this is a living cell or seed which will transform the metaphysical nature of the abstraction, i.e., it will inject contradiction into the way of thinking, thus carrying out the interweaving philosophical transformation of the thing and the method. It contains an entirely new ideology of turning the thing into method and the method into thing and this ideology has only first been recognized and presented in recent years in such modern Western philosophies as dissipation structure theory and (quanshi 6112 6847) philosophy. Yet for a long time, the true value of this method for the thorough transformation of old philosophy was not discovered in our voluminous studies of "Capital". This obstacle to comprehension is related to people's long-term basic misunderstanding of Engels's view of matter.

If we shift the contradiction analysis method of the concept of "commodity" to philosophy, then we carry out a contradiction analysis of the concept of "matter." In the past, philosophy used the method of the unity of opposites to analyze such specific material phenomena as attraction and repulsion, decomposition of chemical combinations, positive and negative electrical charges, etc., but did not analyze the absolute abstract "material" concept. However, according to Marx' method it is necessary to analyze the abstraction's material concept itself, which makes the abstract rise to the specifics of the idea. Yet, once the abstract's matter is analyzed it must become the contradiction and opposite of matter and movement. Since movement contains the form of thinking, the contradictory opposition of matter and movement develops in the nature of materialism and according to the principle of the interdependence of contradictions, there is no way to exclude the elements of thinking from materialism, and if the so-called matter loses its meaning fundamentally before the deterministic meaning of thought and existence and at that time it is not favorable for the bourgeois idealistic struggle and thus limited from the angle of experience and observed nature Engels said "matter without movement and movement without matter are similarly unimaginable" and "movement...is understood as an intrinsic property of matter..."<sup>5</sup> Later philosophy treated "indivisible" and "intrinsic property" as inviolable universal philosophical principles and never again carried out a contradiction analysis of the relationship of matter and movement. They did not consider how Marx had carried out in theory a contradiction analysis of the indivisible commodity use value and the human labor solidified in it; nor did they consider how human knowledge uses the dissection of concept to understand indivisible natural unity. It is this blind faith and rigid understanding of classical quotations which has for a long time kept our philosophy from developmental thinking about basic theory and thus for a long time turned a blind eye to the

methods of contradictory thinking provided in Marx' "Capital" and which had decisive significance for transformation of all of old philosophy, confined it in the framework of old materialistic determinism and lead to impoverishment of Marxism in today's China.

Of course, truly applying the contradictory thinking method in Marx' "Capital" to take a new path in transformation of the foundation of traditional philosophy requires arduous exploration and strict verification, but this is not something to which this essay is equal, so this essay only makes the most preliminary considerations and raises the issue.

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### **Problem of 'Adverse Psychology' in Political Ideological Work**

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[Article by Pen Wenyang 1756 2429 2254, Propaganda Department, District Committee, Yancheng City Suburban District, Jiangsu: "A Problem in Current Ideological and Political Work; Several Considerations on "Adverse Psychology"]

With the collapse of "one man rule" and the opening up of the "leftist" "barriers" in ideological and political work, people's thinking has lived up daily and understanding of democracy has become stronger which has injected new vigor into ideological and political work. However, the existence of an "adverse psychology" is still a problem in ideological and political work of the new period. "Adverse psychology" is different from what people call "reverse thinking" "Reverse thinking" refers to a way of thinking which is not restrained by conventional conclusion, but dares to break through old conventions and break new paths. Its outstanding feature is that it excels at questioning and people frequently make discoveries and create new things because of this. It is a scientific way of thinking that should be affirmed and deserves support. But "adverse psychology," on the other hand, is a psychological process which produces rejection and contradictory emotions in the learner in the process of being educated because of the conflict which occurs between his own traditional set and rigid patterns of thinking on the one hand and the objective reality of ideological and political work on the other. It often constrains a certain aspect of the content of ideological education with its special negative effect so that ideological and political work either is blocked in mid course and progress made difficult or the effect is blunted and the goal is made difficult to achieve which creates unanticipated difficulties for ideological and political work. It is a negative psychological phenomenon and not only should it be rejected but also effective measures should be adopted in ideological and political work so that the roles of "service" and "guarantees" more characteristic of China's unique society are established in ideological and political work.

### **I. Obstruction and the Negative Effect of "Adverse Psychology" on Ideological and Political Work**

**1. The Abnormality of "Adverse Psychology" Psychologically Confuses the Nexus of Ideological and Political Work.** The nexus of ideological and political work are the readily accepted points of departure and breakthrough sorted out on the basis of people's understanding of objective things and the laws of ideological and behavioral activity when the learner is undergoing ideological education. Like the point of origin in a coordinate system, it forms a primary grid which can go from low to high, from simple to complex, from shallow to deep, from the surface to the interior. Thus the content of education enters the feelings, the reason, and the brain and becomes people's self-conscious actions. But for those who harbor an "adverse psychology," the psychology is often in an irregular, disorderly state: either it resists and rejects all ideological and political work and is opposed to it; or it reaches illogical inferences negative and indifferent to some educational content; or has dubious "oversensitivity" and aversion towards some educational methods; or is superficial or has outdated ideas about certain educators, etc. This psychological abnormality has created a serious misalignment of the "connecting points." This not only has formed a psychological "outer shell" for those with "adverse psychology" separating themselves from the outer world so that the psychology becomes more rigid, but also makes it hard for the learner to grasp accurately the breakthrough points of his interconnecting feelings so that there is no way to create resonance and sympathy between the two. To a certain degree, this adds new difficulty to the foresight, direction and influence of ideological and political work.

**2. The Negativity of "Adverse Psychology" Lowers the Positive Effect of Ideological and Political Work in Terms of Thinking.** What is meant by thinking is the direction and process of the problems people present and consider. Since the psychology of those who practice "adverse psychology" often is in an irregular abnormal state, their thinking also exhibits obvious negativity: one is a reverse nature i.e., a method and process which is completely opposite the correct thinking of psychologically healthy learners. In them, the originally normal emotional nexus have become the starting point of negative thinking and observing, analyzing and discriminating ideological and political work in line with this point they reach conclusions which are completely opposite to the original aims of education. Two is deviateness, i.e, serious deviation from correct thinking so that various misread and twisted methods and processes are created in ideological and political work. For example, the correct thinking for understanding the theory of the initial stage of socialism should be from conscientiously summarizing the lessons of the appended stage socialism" and "utopian socialism"—analyzing its dangers—policies which should be adopted—reaching the conclusion that "the theory of the initial stage of socialism is the key to understanding reform and the overall basis for the principles and

policies formulated by the party which are in force." But the thinking of those who harbor principles of the conservative "left" and hold that some principles and policies in force deviate from idealized socialism and thus reach the erroneous conclusion that "the theory of the initial stage of socialism defends the principles and policies in force" or hold that it is "a pretext and umbrella for safeguarding negative phenomena" and misunderstand rousing slogans as discouraging slogans. From this it is clear that if it is not conscientiously put right whether it is reverse thinking or deviate thinking, both are bound to form an incompatible relationship with ideological and political work and the more educators talk, the greater the learners' feelings of opposition and aversion, and a definite negative effect which is at cross purposes with ideological and political work will be created within all areas it touches greatly reducing the positive effect of ideological and political work.

**3. The Divergency of "Adverse Psychology" in Terms of Effect Weakened the Condensing Power of Ideological and Political Work.** The divergent process of "adverse psychology" in terms of effect can be summarized as: desire to diverge—the possibility of divergence—the formation of divergency. After individual learners develop an "adverse psychology," prompted by an abnormal self-expression consciousness, an intense desire of "social support" naturally sprouts and pragmatic methods are adopted either extracting from memory so-called objective facts which are favorable to it or searching in actual society for negative elements which can validate his "adverse psychology" for his sophistry, carrying out counter propaganda against the original content of the education and vigorously expanding the area which the "adverse psychology" involves, to avoid being in an isolated state. Since the principal party of "adverse psychology" generally has a certain cultural quality and ability to argue, it has a certain currency and influence among the masses; in addition the so-called indisputability of their arguments (actually, it is a biased oneness and sophistry. This is because these arguments are mostly well-known and abominated objective facts, but they have carried out pragmatic "processing" on them by dismemberment or subjective supposition) this very readily creates sympathy for it among learners. In this way, the individual effect of the original "adverse psychology" may disperse in all directions and form a series of harmonic lines so that some learners who used to have some of the same feelings with regard to it first of all become supporters of "adverse psychology"; then, some learners who have "mass" psychology also may be inhibited by its negative effect because "other people think that way" and ultimately cause the desire of those who harbor "adverse psychology" in the beginning to seek "social support," become reality and form an "adverse colony" which cannot be underestimated. This centrifugal force which is formed from negating effect is bound to weaken the condensing power and influence of ideological and political work and sometime may even produce the phenomenon that the content of the education is more opposite or more contrary than the situation

before this influence was exerted so that the anticipated positive effect of ideological and political education is in part or whole replaced by the negative effect of "adverse psychology."

## II. The Main Causes of "Adverse Psychology"

"Adverse psychology" is a very complex psychological phenomenon, its causes are numerous and it must be placed in the larger context which is formed by political, economic, historical, actual and international and domestic factors and conscientiously examined.

**1. The Influence of the "Left" Is the Historical Source of "Adverse Psychology."** Because "leftist" errors were committed in guiding ideology, especially in the 10 years of chaos, in moving from theory to practice ideological and political work has been heavily influenced by the "left." For example, in terms of content, insisting on the "law of identity" and devout belief in "utopianism", and treasuring the abstract principles of "appended socialism" and "utopian socialism"; talking only of achievements and not of difficulties; talking only of responsibilities and not of rights; talking only of contributing and not of giving, ignoring and not even admitting the needs of the individual, lies, bragging, and hollow words so that the disparity between the value of the expectations of demands and the actual value which could be objectively achieved became greater giving people a mirage-like illusion. In form, the complete set formed with political activity and the magnification of the class struggle, a systematic formalism was created. The first component is "criticizing and contending" to rectify people, brutal struggle, merciless attacks, endless raising to higher principles so that people lost their sense of security. Second is the ossified dogmatic "mechanical-type", which excels at copying formulas to manufacture "common machines," abandoning the quintessence of Marxism-Leninism—"specific situation and specific analysis"—giving people an insipid feeling. Third is "reprimands from postions of power" insufferable arrogance and giving people a stifling feeling of oppressive force. Fourth is subjective idealistic "ideals," replacing objective fact with subjective imagination, twisting "how it should be" into "it is already the case" and describing "a flower blooming alone" as "a garden full of color" so that people lost their sense of trust. There are too many varieties to count. It destroyed the excellent tradition of the party's ideological and political work, overstepped the ranks of the party's ideological and political work, undermined the reputation of the party's ideological and political work so that people were extremely sensitive and anxious about ideological and political work. Therefore, in the new historical period, when some learners first come in contact with the objective reality of ideological and political work it was hard to obliterate the brand of "leftism" which can produce "adverse psychology" by suddenly increasing the weariness or negative weight in the already tipped "psychological scales."

**2. The Present Situation of Ideological and Political Work Lagging Behind the Progress of Reform and the Various Incorrect Styles in Social Life are Real Causes of "Adverse Psychology."** In the past few years, reform of the economic system has placed higher demands on ideological and political work but there are still abuses in ideological and political work which act as direct intermediaries of "adverse psychology." Because of the constraints of historical factors and personal character, some comrades who have been engaged in ideological and political work for a long time have developed an indolent psychology, always feeling that the old methods are something they know well but they are too lazy to study and even less understand the new features of the demands of the objects and content of ideological and political work in the new period and such new methods as how to stress service, infiltrate, and thoroughly resolve the phenomenon of party cadres wearing two hats, all of which are focused on economic construction so that to a certain extent, ideological and political work are still dissociated from the major tide of reform causing people to feel feedup that "the old pattern is still around, and there are not many new tricks," "though the content is new, the methods are outdated." In particular, a minority of ideological and political workers are of poor character and their deeds do not match their words so that the learners may, for the natural reason that "all these are high-sounding words for others to hear," have feelings of hesitation and disgust and not only are unwilling to accept the content of the propaganda, but also may direct their attention to the bad behavior of the educators themselves and even impose the bad behavior they got from hearsay on the educators and form a habitual "adverse psychology" with regard to these educators. On the other hand, various incorrect styles in social life also are indirect factors in the actual causes of "adverse psychology." Since we are now still in the initial stage of socialism, there are imperfections in the political and economic systems, and with the addition of the fact that the negative effect of opening to the outside world—the invasion of corrupt bourgeois ideology and such ugly phenomena in society as incorrect party style and dishonest civilian style—may not vanish for a while, thus in the process of resolving these problems, some learners may use these negative factors, which have an objective existence, to carry out contrastive observation and learning with ideological and political work and may develop "adverse psychology" from feelings of loss of confidence in the effectiveness of ideological and political work.

**3. The Fact That the Ideological Quality of the Main Part of "Adverse Psychology" Is Not High Is an Inherent Foundation Which Produces "Adverse Psychology."** The ideological quality of the main part of "adverse psychology" primarily refers to its individual psychological character. The ability, nature and disposition which it contains both are expressed through the psychological process and are regulated by the psychological process. In terms of the realm of ideological and political work, there are generally three types of "adverse psychology"

which are easily produced because of the individual psychological differences of the learner: One, is a one-sided ideological method. These people view phenomena as an intrinsic quality, treat the minor aspects as the main stream, stress one point and not the rest, their view of the important overshadowed by the trivial, and they even judge others' beliefs by their own standards and impose their own subjective assumptions on others. Two, is ossified thought patterns. Some have experienced frustration, especially people who have doubly suffered poison or harm in several political movements and frequently use outdated conclusions and concepts as criteria for distinguishing right and wrong, convert books, experience and instruction equally into invariable ideas or tailor lively and vital reality with their own selfish interests. Three, is excessively intense self-expression consciousness. Intense self-expression consciousness is an outstanding feature of youth in the present and should be affirmed and encouraged, for only in this way will it be beneficial to the emergence of talent and the operation of the mechanism of competition of talent. However, what we refer to here is that some learners have distorted "self-consciousness," i.e., a show off psychology with an extremely heavy individualistic coloring, and is the epitome of "excessive." These learners confuse the relationship of the individual and the collective, rights and responsibilities, and freedom and discipline, and centered on "self benefit" have an excessively blind faith in "self-value," attempt to display their own so-called ability and disposition, mistakenly recognize this excessively intense self-expression consciousness as the developmental and creative consciousness which is suited to the tide of the times. But when this individualistic self-expression consciousness is obstructed, it is expressed as intense "adverse psychology" and serious cases may even slip towards a more dangerous quagmire and it is hard for them to rescue themselves.

### **III. Primary Countermeasures for Correcting "Adverse Psychology"**

In terms of ideological and political work, "adverse psychology" has a dual status, i.e., it is both one of the ideological problems which urgently needs to be resolved and it is one of the problems which needs to be studied to establish a new method for carrying out ideological and political work in the new era. Thus, discussing corrective countermeasures should not be limited only to "adverse psychology" itself, but should also open up the field of vision and from the broader range of time and space consider such general corrective countermeasures and specific measures as "blocking the source" and "getting to the root" and by gradually stopping its source, narrowing its market, and containing its effect, make ideological and political work play its proper role better.

**1. Give Serious Consideration to Systematic Research on "Adverse Psychology."** The objective laws of "adverse psychology" should be mastered. Not only should we know what it is, but also should know what makes it so.

Not only should we carry out systematic research on the creation, development, protracted nature, danger and specific corrective countermeasures of "adverse psychology" itself, but also should we scan broadly and give serious consideration to theoretical explorations of its interconnected political, economic, moral and legal aspects so as to help people understand its laws in integrating theory and practice and better master the initiative of correcting "adverse psychology."

**2. Constantly Change the Social Environment that Produces "Adverse Psychology."** To correct "adverse psychology" an excellent social environment must be created. At present and for a long time in the future, one is that we should strive to overcome bureaucratism, and should pay special attention to improving establishment and assessment of the system of personal responsibility, and as quickly as possible eliminate shifting responsibility when encountering a problem and the poor situation of the decline in work efficiency. Those cadres who are in high positions and are not responsible and not concerned with the hardships of the masses should be conscientiously educated and those who refuse to change should be dealt with severely. Second is that incorrect styles should be resolutely corrected, using the spirit of the 13th Party Congress as a guide, the situation of the party not managing the party should be corrected, the establishment of party ideology and work style should be improved to rectify party style; in reform of the political and economic system, we should further establish and perfect the system, improve the legal system to check improper styles. Three, the social atmosphere should be purified. The corrosive influence of bourgeois ideology should be resisted and spiritual pollution eliminated, and in particular the idealistic, moral and value education of the young should be improved; we should dare to support what is correct and remove what is incorrect, promote justice, and fiercely check unhealthy tendencies to gradually form a positive, improving social atmosphere and shrink the market for "adverse psychology" in public opinion.

**3. Constantly Reform Ideological and Political Work and Overcome Malpractice in Ideological and Political Work Itself.** First of all, the change in course in guiding ideology should be truly carried out, changing "criticism" into "construction", changing from "administrative" to "service," obeying and serving "one center, two base points." Next, with the theory of the initial stage of socialism as a foundation, closely integrate people's popular comments, the questions about ideology, and the difficulties in theory in reform of the political and economic systems and stress accelerating and deepening the key points of reform, determining the central content of propaganda and education at different levels, and resolutely discard hollow and insipid Party jargon and indiscriminate "cooking in one pot." In particular, focused closely on specific reform measures, we should carry out thorough work to resolve difficulties and questions before, during and after their appearance and strive to overcome the disjointed phenomena of

party cadres wearing the two hats of ideological and political work and economic work. Next, we should give very serious consideration to reform and new ideas in forms and methods. While emphasizing actual results and upholding improvement of principles, from such aspects as "quantitative analysis," "coordinating many forms while maintaining focus on the central activity," "make the pleasurable educational, and point out theory in daily affairs" "information feedback," and "pursuit of results" we should develop vertically and horizontally in all directions and at multiple levels and explore new paths. At the same time as this, we should stress in particular establishing and employing a system of democratic consultation and dialogue, open up dialogue channels, expand dialogue range, and improve dialogue quality to make more lively the democratic atmosphere of ideological and political work, link up the feelings of educator and learner, constantly improve the attraction, appeal, cohesion and persuasiveness of ideological and political work, and reduce as much as possible the faults of ideological and political work itself and bring out the coefficient of "adverse psychology."

**4. Strive To Improve the Ideological Quality of the Main Part of "Adverse Psychology."** The level of quality of people's own ideological education is the key to the growth and decline of "adverse psychology." First of all we should systematically carry out education in the basic theory of Marxism Leninism, strive to improve the ability of dialectical thinking to observe and analyze problems and to discriminate right and wrong. We should guide "adverse psychology" to view the merits and faults of ideological and political work comprehensively and historically, correctly grasp the practical criteria for testing ideological and political work, self-consciously participate in the reforms of ideological and political work. Second, we should constantly carry out education in updating ideas, help to cast off the bonds of traditional cultural psychological structures. We should enthusiastically help "adverse psychology" to heal its spiritual internal injuries, and guide them to open up the "leftist" spiritual cage they put on themselves, self-consciously overcome traditional ideas, go into reform practice and broaden their world view, weather the storm, breath fresh new air, wash off ideological dirt so that they truly get rid of outworn prejudices about ideological and political work and gradually form a new cultural psychological structure. Next, we should carry out in-depth education on reform of shape and improve its ability to accept the psychology of reform. We should constantly strengthen reform of public opinion propaganda. Not only should we help "adverse psychology" understand the need to accelerate and deepen reform and the correctness of reform measures, but also explain in particular the duration and difficulty of reform in a manner that seeks truth from facts, and guide them to establish correct concepts of matter, authority, and success and failure and gradually improve the sense of

responsibility, sense of participation, and consciousness of being the masters, but not so as to produce "adverse psychology" when reform impinges on the benefits they just received.

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**Discussion on Building Legal System in Initial Stage of Socialism**  
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[By He Qinhua 0140 0530 5478: "Discussions and Views on the Theory of Building a Legal System in the Initial Stage of Socialism Summarized"]

[Text] Since the theory of socialism in its initial stage was introduced in the 13th CPC Congress in November last year, people in the legal profession of China have held many seminars and symposiums and published nearly 50 articles giving an in-depth study in the building of a legal system in the initial stage of socialism. The scholars have presented many fairly good views, courses of action, and theories which are summarized as follows:

**I. The Theory of Socialism in Its Initial Stage and the Building of a Legal System**

Many scholars held that China's legal system during the new age must take the theory of socialism in its initial stage as the basis as well as the basic starting point for the following reasons: 1) From the standpoint of the economic base, development of productive forces is the central task in the initial stage. Law is based on social economy, and similarly, a legal system must regard the development of productive forces as its central task and serve such development. 2) From the standpoint of guiding ideology, the theory on the initial stage in China is an enrichment and development of Marxism under new historical conditions. It is also the most important and specific guiding ideology for building a legal system during the new age. 3) According to the trend of social development, a modern society must have coordinated economic, political, legal and cultural development. While taking the economy as its base, the legal system should be coordinated with political and cultural development. The building of a legal system must proceed in step with China's future economic, political, cultural, and other developments and provide the necessary protection for mutual promotion and common development. 4) China has succeeded in building a legal system precisely because of the correct line adopted in the 13th CPC Congress based on the theory of socialism in its initial stage.

**II. Characteristics of a Legal System in the Initial Stage of Socialism**

People in China's legal profession held four major viewpoints. First, they held that "backwardness" is a basic characteristic of a legal system during the initial stage of

socialism as shown in many respects, such as the patriarch system, laxity in the execution of law, substitution of power or people's word for law, outdated legislation, unsound laws and statutes, low legislative and judicial standards, professional incompetence, and the people's vague idea of law. The second viewpoint was that a "legal system in the process of improvement" is the basic characteristic of our legal system during the initial stage of socialism for the following reasons: 1) Legislation does not essentially represent people's will, the articles of law are too sketchy, and the element of democracy is inadequate in legislative procedure. 2) Some judicial workers have to submit to personal influence, and some of them deliberately violate law. 3) Many people are legally blind, people are not quite willing to abide by law, and the execution of law is not adequately supervised or protected. The third viewpoint is that "rule by people," and "lack of separation between party and government and between person and law" are the characteristics of a legal system in its initial stage. After reviewing the development of China's legal system over the past thousands of years, the scholars revealed the basic weakness in New China's legal system over the past several decades, namely, the weakness of the concept of rule by law, because legal authority has not been duly established. According to the fourth viewpoint, a legal system in its initial stage can be described in nine different ways after considering all the related aspects: a legal system of the historical type; a legal system with economic construction and the building of democracy as the central task; a legal system with capital construction as its starting point; a legal system that is mutually complementary with policies; a legal system with uneven development; a legal system standing for the unity of the past and the present; a legal system that implements the policy of optimal construction; an immature legal system waiting to be improved; and a legal system that is being improved in the course of the reform.

**III. Basic Task of Legal System in Its Initial Stage**

On this point, people in academic circles held three different views: Some held that an important task of legal system in its initial stage is to make law, to enforce law, to protect the judicial organs in their independent exercise of functions, and to disseminate the knowledge of law so that people can be more aware of its significance. Others believed that the basic tasks of a legal system in its initial stage are as follows: first, to consolidate the achievements in the reform; second, to learn from the success of foreign countries and to support the policy of opening to the outside world; and third, to promote socialist democracy and spiritual development. Still others believed that the basic task of a legal system in its initial stage is to strengthen a legal structure that is compatible with the development of productive forces and commodity economy, and to ensure the realization of the party's basic line by relying on the power of law during the initial stage of socialism. Despite their different conclusions, these three schools of thoughts all

stressed the basic need to set up and strengthen a socialist legal system for serving the development of socialist commodity economy.

#### **IV. The Near-Term Objective of Legal System in Its Initial Stage**

This was one of the main topics of discussion. The scholars unanimously believed that since the initial stage is quite a long historical period, the development of a legal system is a fairly long process. Therefore, they should analyze the long-term objective before determining the near-term objective of a legal system in its initial stage. This near-term objective includes the following: first, initial improvement of a socialist legal structure with the Constitution as its nucleus; second, consolidation and development of political stability in order to create a stable environment for economic and political restructuring; third, strengthening the mechanism of law enforcement, increasing the citizens' awareness of law, and striving for optimal results in the execution of law; fourth, reforming the political and legal structures including the separation of party and government (judiciary), the reform of functional organs in the law administration system, and the reform of the lawyers system; and fifth, creation and development of legal theories which will provide a scientific theoretical basis for building the legal system.

#### **V. The Question of Making Up Missed Lessons in the Initial Stage of a Legal System**

This is a question of a basic task which is closely related with the near-term objective of legal system in its initial stage. Some scholars held that raising the question of making up missed lessons is necessary for China's unique national conditions and has a scientific theoretical basis as well as realistic political foundation. Since China went directly to the stage of socialism from a stage of semifeudalism and semicolonialism, many things which could have been destroyed by the bourgeois revolution are still tenaciously continuing their existence, while many systems which could have been established by the bourgeois revolution are still to be established. On March 30, 1979, Comrade Deng Xiaoping said at a party meeting on theoretical work: "The study of political science, jurisprudence, sociology, and international political science was overlooked by us for many years in the past. Now we should make up these missed lessons." On the eve of the 13 CPC Congress, Comrade Zhao Ziyang repeatedly pointed out at a meeting that we cannot skip commodity economy, although we may skip capitalism. Because we have skipped the stage of capitalist development, we have to make up for our missed lessons in socialist construction. The report of the 13th CPC Congress further pointed out that China is still in the initial stage of socialism and must take considerable time to accomplish industrialization, commercialization of production, socialization, and modernization, all of which can be accomplished under capitalist conditions; and that we must try hard to assimilate the achievements

in world civilization and gradually narrow the gap between us and the developed countries. The scholars pointed out: In building a legal system in the initial stage, the main purpose of making up the missed lessons should be to eliminate the remnants of the feudal legal system, to study, assimilate, and further improve the legal system which was created by the bourgeoisie and which is suitable to our national conditions, to reform the legal structure which is confined within the "large and public" framework and has the coloration of utopian socialism, and to establish a legal system suitable for the initial stage of socialism. This system will have the following three features: first, setting up some legal mechanism for the purpose of promoting commodity economic development and strengthening economic legislation; second, accelerating the reform, perfecting the political structure, and strengthening administrative legislation; and third, strengthening socialist spiritual civilization and cultural legislation. To ensure that we could make up our missed lessons satisfactorily, these scholars proposed that we should carefully address several problems. For example, we should change the traditional way of thinking, form a legal concept that is compatible with a commodity economy in its initial stage, and create the required ideological conditions for us to make up our missed lessons. We should also revise the constitution and create a favorable legal environment for us to make up our missed lessons, be more active in teaching and studying foreign laws and in comparing these laws with ours, strengthen our legal and cultural exchanges with foreign countries, and training professional personnel for making up the missed lessons.

#### **VI. Channels To Develop Democracy and a Legal System in the Initial Stage**

In the course of discussion, many scholars held that developing democracy and a legal system in the initial stage is an arduous systems engineering task and that we must take the following four channels to accomplish it. 1) We must vigorously develop social productive forces. They are the material foundation for higher standards of democracy and legal system. 2) We must uphold the four cardinal principles. These principles form the foundation of our state and are the guiding ideology for our task of building democracy and a legal system in the initial stage. Democracy and the legal system are permeated with class consciousness; they cannot be without it as a tool of government. Along with the gradual development of socialist democracy and legal system, their class character will gradually fade out to make room for the whole-people character. In the initial stage, however, democracy and the legal system still retain a fairly strong class character which is vividly expressed in the four cardinal principles. 3) Democracy should be gradually legalized and institutionized. In developing democracy, we cannot place our hopes entirely on enlightened politicians or lenient leaders. The objective requirement is for democracy to be legalized and institutionized. Therefore, we should see to it that legislation serves a practical purpose, should help promote the reform, and should be



appropriate in both general and specific applications. 4) We should enhance the democratic character of the legal system. In legislation, the deputies the people's congress should take on greater responsibilities in the power organs at all levels. In the execution of law, we must firmly adhere to the principle that everyone is equal before the law and ensure that law is strictly enforced in all areas. In the observance of law, the cadres should be educated to play an exemplary role, while the citizens should be better aware of importance of law so that learning about law, and understanding, observing, and protecting law will become their second nature.

#### VII. Theory on Initial Stage and Departmental Legal System

While intensifying their study in the theory of a legal system in the initial stage of socialism, people have begun to turn their attention to discussions on the theory of building a departmental legal system in the initial stage. For example, some scholars discussed such questions as the implementation and observance of the Constitution, the spreading and strengthening of Constitutional concepts, and the study of jurisprudence in the initial stage; and offered their constructive views. Others discussed the relationship between class struggle and crimes. After analyzing the situation of class struggle in the initial stage of socialism, they pointed out that the existence of a decadent class struggle in the initial stage is the cause of crimes in China at the present stage, and emphasized that adherence to this view now has some social significance. Discussion in this area is just beginning, and study in this topic is still in the initial stage.

#### VIII. Several Questions To Be Solved Now

The scholars unanimously agreed that the theoretical study in legal system at the initial stage, though just beginning, has a bright future, because it is based on practice and meets social demands and the current trend. In order that this study will continue to deepen, they proposed that we should emancipate our minds and be bold in our exploration. We should study and find out how to form some legal mechanism for the fundamental development of productive forces, completely change the idea of "stressing punishment and slighting people," and strengthen the study in the theory of legislation. Some scholars hoped that the policy-decision organs of the party and the state would consider admitting people of the legal profession to the field of policy decisions, and highly regard their views and proposals regarding legislation so that the research in law will be closely combined with the realities of the economic and political structural reforms. Others suggested that in continuing to develop and enrich the theories of a legal system in the initial stage, we must carefully attend to these two tasks: First, we should further step up our study in the theories of the initial stage, because discussions on the legal system in the initial stage are based on these theories.... After it was founded in 1981, the theory of the initial

stage of socialism is gradually gaining popular adherence, thanks to the systematic explanations given in the "Resolution of the CPC Central Committee on the Guiding Principles for Building a Socialist Society with an Advanced Culture and Ideology" and the report of the 13th CPC Congress. However, there are still some questions to be studied. This study is not only a task for research workers in philosophy and political economy, but also one of the important duties for those engaged in legal work. Second, we should further study the basic theoretical problems of legal system in the initial stage. For example, the characteristics, principles, tasks, and short-range goals of legal system in the initial stage have only barely touched the areas of the constitution and the penal code, but hardly such an important question as the social functions of law in the initial stage. That is why it is an important duty for China's legal workers to step up their study in these questions.

9411

**Forum Calls for Reform of Ideological Work**  
40050422a Shanghai *SHIJIE JINGJI DAOBAO*  
[*WORLD ECONOMIC HERALD*] in Chinese  
1 Aug 88 p 2

[Text] Sitting on the platform on the one side were unknown people including two "youngsters"; sitting quietly on the other side in the audience seats were participants including Gong Yuzhi [7895 5148 0037], Zhu Houze [2612 0624 3419], Yan Jiaqi [0917 1367 0366], and Jia Chunfeng [6328 2504 7364]. This is a scene from the theoretical forum sponsored by QIUSHI on 13 July. Such an equal, practical, and innovative environment was a sharp contrast with the central topic of the forum—the reform of ideological management system.

Addressing the main topic at the forum was Feng Cang [7458 0221] from the ideological issue research group under the Chinese Youth Society for Socialist Reform. He brought with him the research results of ideological issues achieved by his research group in the past 2 years. He said repeatedly: Now it is time for us to review nearly 40 years of experiences and lessons gained by the party in the ideological system, readjust the party's guiding principle for ideological work in a timely manner, and reform some irrational systems in accordance with the demand for further deepening the reform. He emphasized: This is not a subjective assumption or trying to shock anybody. This is a realistic choice we must make due to the objective situation, especially the eight contradictions between the current ideological work and system and the implementation of the reform and the open policy. The eight contradictions are: 1) a double loss of control caused by mismatching two systems (the business-related system and the ideological and opinion management system); 2) the contradiction between the open environment and modern technology and means and the centralized control of ideology and opinions; 3) the contradiction between the dual-level management



model and the diversified social and economic life; 4) the contradiction between the closed administrative and management style and the objective demand for establishing cultural and opinion markets; 5) the contradiction between the attempt to solve economic problems with ideological forces and the efforts to distribute natural resources according to the market; 6) the contradiction between the model of propaganda and that of ideology and behavior; 7) the contradiction between the internal (state monopolized), mystified, and unorganized management of ideological work and the building of socialist democratic political and legal systems; and 8) the contradiction exposed by the guiding principle of the party's ideological work itself.

Yan Jiaqi, noted political expert, who began his speech with China's "briefing politics," stressed the importance of making an objective description of the current ideological system and its operational process. He said: At the national people's congress, the major means for circulating information is a bulletin which is divided into two categories: one is to be read by everybody; the other is to be read only by a few leaders or the personnel of relevant departments. Due to this practice and the fact that all delegates are grouped by regions, it is very difficult for the delegates to openly exchange different opinions, and due to the barrier between delegations, it is very hard for such opinions to make any difference even if they were exchanged. In addition, party and government organs and even some unimportant departments all issue bulletins which often reflect one side of the story by deleting the beginning and end of a report and make some of our comrades, especially those visiting or touring foreign countries, afraid of expressing themselves or say two different things: one comes from their mouth and is intended to be heard by their leaders at home; the other comes from their heart and is said at the risk of being criticized.

Zhang Zonghou [1728 1350 0624], legal expert, especially pointed out in his speech that we must establish a pluralized superstructure to suit the needs of the commodity economy and that this superstructure should have a built-in ideological management system which can pick out what is useful among numerous opinions. To do so, the key is to strengthen the legal system under the precondition of full democracy. There is no exception with the ideological sphere.

This was the second time that the reform of the party's ideological work and system has been mentioned in a positive way since the reform. The first time was at the "Theoretical Forum on the Reform of the Ideological Management System" jointly sponsored by the SHIJIE JINGJI DAOBAO and the ideological issue research group in Beijing in July 1986.

According to the introduction of the sponsors, this forum was the second session of the "Bimonthly Forum of the Capital on Socialist Theories." The sponsoring

units are QIUSHI, the Chinese Youth Society for Socialist Reform, the editorial board of the "Collection of Chinese Cultural and Conceptional Changes," the theoretical department of GUANGMING RIBAO, the Chinese Society for the History of Socialist Ideology, and the Marxism-Leninism Institute of the Beijing Normal University.

12302

**Problems Facing Rural Party Committees**  
*40050422b Shijiazhuang HEBEI RIBAO in Chinese*  
18 Jul 88 p 2

[By Wang Zhongfu 3769 1813 1381, Zhangjiakou Prefectural Organizational Department: "The Voice of the Secretaries of Township Party Committees"]

[Text] What is on the minds of the secretaries of township party committees who are working at the grassroots level in rural areas? During a recent interview with some secretaries of township party committees, they recounted their difficulties.

1. They hoped that party and government functions can be separated as soon as possible. The confusion of party and government functions has caused the secretaries of township and town party committees to be buried in day-to-day work. They have to attend most meetings held at the county level. They have to be present at such meetings as rural enterprise work conferences and drought- and disaster-relief meetings, and take care of things that are often under the jurisdiction of government organs. This not only makes it harder for party committees to break away from administrative duties but also affects the arrangement of government work and dampens the enthusiasm of administrative personnel.

2. Cadres at township levels should be changed from "vertical management" to "horizontal management" as soon as possible. Most townships have about 20 cadres, but a third of them are under the management of functional departments at higher levels. Since higher levels control human and financial resources concerning the staff in charge of public security, judicial work, grain, finance, education, agricultural economy, and family planning in townships, it is very hard to exercise management by objectives and carry out the personal responsibility system.

3. The situation in which township cadres are old and poorly educated should be changed. Some townships have not been assigned a college graduate for 4 or 5 consecutive years. Even if some college graduates were assigned to work in townships, they would have tried in all possible ways to get a transfer to county seats. Some townships have trained a few of their own outstanding young and middle-aged cadres, but they have been "dug out" and transferred to units under the direct control of prefectures and counties.

4. They hoped that higher authorities send fewer "guests" who do not solve problems. Secretaries of township party committees who have done a better job in their work said: Once you are known for your work, you have problems for you will have people from all levels, including provincial, prefectural, and county levels, visit you one after another. Some come to give guidance; others come to "draw experience," to tour, to conduct surveys and researches, and to review typical experiences. Secretaries have to attend every party to entertain the guests; otherwise, it would be ignoring the guests. But most of these guests cannot solve real problems not to mention the fact that it costs money to entertain them whenever they come. Some townships let their enterprises entertain such guests, and if enterprises have a low income they really cannot afford it.

5. Cadres who know how to write reports need to be assigned or trained quickly. Due to the vacancy of report-writing positions in townships, certain situations and information cannot be reviewed and reported to higher authorities in a timely manner, thus reducing work efficiency. A county with 17 townships currently lacks 12 secretaries for party committees and 10 directors for government offices.

12302

#### **Rural Student Drop-Out Rate Rising**

40050422c Shijiazhuang HEBEI RIBAO in Chinese  
18 Jul 88 p 2

[Article by Yang Haibin 2799 3189 3453, Shangyi County Rural Economic Survey Team: "The Rural Student Drop Out Issue Should Not Be Ignored"]

[Text] In recent years, more and more youths and juveniles have dropped out of school in the rural areas of Shangyi County. According to the survey of 100 peasant families, some elementary and middle schools, and cultural and educational departments, the attendance rate of youths and juveniles is generally low in rural areas, especially for those between 15 and 17. In 1988 among the 100 peasant families, there are 42 children between the ages of 6 and 11 of which, 35 are in school and 7 have dropped out, showing an attendance rate of 83.3 percent, a decline of 13.5 percent from the corresponding period of 1987; there are 23 children between the ages of 12 and 14 of which, 22 are in school and 1 has dropped out, showing an attendance rate of 95.7 percent, a decline of 4.3 percent; there are 34 children between the ages of 15 and 17 of which, 20 are in school and 14 have dropped out, showing an attendance rate of only 58.8 percent, a decline of 21.9 percent. The low attendance rate and the high drop out rate of rural youths and juveniles are bound to lower the cultural level of reserve labor. This situation was caused by different factors:

First, due to the influence of conventional thinking, the lack of understanding of culture and education, and the low practicality of current teaching materials, parents

think that education is not very useful, that their children cannot pass entrance exams for colleges or secondary and vocational schools, and that even if they managed to get into high school, they will become peasants eventually, thus causing some students to drop out of school.

Second, statistics provided by cultural and educational departments show that in 1988 there will be 3,236 elementary school graduates in Shangyi County and middle schools (including agricultural schools) will enroll 2,116 students, accounting for 65.4 percent of all graduates. Except for a few children who will stay in school, most elementary school graduates will join the ranks of "three kinds of children" (peasant children, child labor, and child merchants. In 1988 there will be 1,556 middle school graduates in Shangyi County and high schools (including agricultural schools) will enroll 370 students, accounting for only 23.8 percent of the total graduates. Most middle school graduates are between 15 and 17 years old. This is a stern challenge to the educational law which promotes 9-year compulsory education. It is also a social issue which deserves the full attention of the whole society.

This social phenomenon is caused by two factors: one is that some elementary and middle schools are reluctant to increase their enrollment because they want a greater proportion of their students to be admitted to high schools or colleges; the other is that due to insufficient educational investment, our existing elementary and middle schools cannot satisfy the demand for spreading compulsory education.

Third, as far as Shangyi County is concerned, the fact that agricultural production was hit by natural disasters for 3 years running and peasant families suffer from great economic difficulties has to a certain extent caused the attendance rate of school-age children to decline. According to investigations, an elementary school student needs an average of 20 yuan a year for books, tuition, and miscellaneous expenses and a middle and high school student needs over 70 yuan. This plus costs for room and board is a considerable amount of expenses for the average peasant family. Because of this, many youths and juveniles have been forced to drop out or stop schooling temporarily.

Fourth, most existing elementary and middle schools have simple crude equipment, a relatively poor learning environment, and an unstable teaching staff. The cultural level of rural teachers in particular is low and teaching methods are simple, resulting in low acceptance rates. This is why some students who do not expect to be accepted by high schools or colleges drop out of school and participate in labor early.

The problem of school-age children dropping out of school is sharply reducing the quality of the next generation and is restricting the development of the rural economy. The basic solution to this problem is to

increase educational investment and raise teachers' wage to stabilize the teaching staff; and to vigorously publicize the importance of improving the cultural level of our people, help farmers adopt new thinkings and concepts, and ensure that all school-age children get the education prescribed in the law on compulsory education. In addition, efforts should be made to gradually strengthen rural vocational education in light of actual conditions in rural areas, so that all students can use what they have learned and serve rural economic development.

12302

**Article Profiles Liu Yuan, Son of Liu Shaoqi**  
40050395 Shanghai JIEFANG RIBAO  
in Chinese 8 Jul 88 p 7

[Article by Xiong Neng 3574 5174 and Chen Bin 7115 2430: "His Way of Showing Gratitude to the People; Liu Yuan, Son of Liu Shaoqi"]

[Text] "Why do you have to write about me?" Liu Yuan [0491 3293] asked.

Do you need to ask?

You are the youngest vice governor in China and the only son of Henan elected by the NPC.

You are also the natural son of former state head Liu Shaoqi [0491 1421 1142].

"You are a figure in the news." We replied.

"But you are not publicizing any model worker. What can people learn from me. There are many people doing the same job as mine. People elected me vice governor only because of my father. What can others learn from me?"

(There is an old saying that nothing in the world can produce more illusion than power. We can at least be positive that Liu Yuan has no illusion.)

"Again, wouldn't people gossip, if you write about the son of a senior cadre like me?"

"That is why we have come to this son of a senior cadre." We replied frankly.

Liu Yuan is now 37 years old. He graduated from college only 6 years ago. Yet he is already the vice governor of Henan.

He promotion was surprisingly fast. However, he was not among the vice governor candidates at first....

The Seventh Henan Provincial People's Congress was held in January 1988.

The ratio of the number of candidates to the number of vice governor posts was 7:6, and only one candidate had to be eliminated.

The deputies all felt that the number of candidates was too small, and that more candidates should be added. Their motion was seconded.

Who would be added? At a meeting of the presidium, the first name mentioned by the first speaker was Liu Yuan, then mayor of Zhengzhou.

All the deputies of Xinxiang recommended Liu Yuan. The deputies of Zhengzhou followed suit. So did the deputies of Kaofeng, Luoyang, and Pingdingshan.

In fact, Liu Yuan was not too keen about the proceedings in the people's congress, because city construction was then going on in Zhengzhou and the many pending jobs kept him very busy. He was, therefore, a little dazed on hearing the election result announced on January 29.

How did he become a vice governor in only 3 short days?

Liu Yuan got out of the stadium, started his motorcycle, raced out of Zhengzhou, crossed the Longhai Railway and the Huanghe, and headed for Liuzhuang village of Xinxiang.

People in Liuzhuang did not know that he had been elected vice governor. Since it was already dusk, someone asked if he was hungry, while handing over a bowl of steaming hot-noodles.

Oh! It smells good....

One winter evening 6 years ago, he set foot on this piece of land for the first time. He was wearing an old army uniform with his personal belongings in a bundle on his back. His rubber shoes bore several patches. At the sight of him, even the villagers wondered how could there be such an uncouth creature!

However, why did the son of a senior cadre come to work in this place?

Several days later, at a meeting of cadres, Liu Yuan introduced himself: "I have just graduated from college. You all are my teachers. I come to the countryside to show my gratitude to the people."

A mere formality? Can any college graduate fail to be grateful to the people?

However, Liu Yuan....

China changed overnight in 1966.

The head of a republic became China's No.1 capitalist roader, and his son became "No 1 sinister outcast."

"Thinking of the past, what can I say?" Liu Yuan said.

"I hated everything around me. Who has been a target of universal abuse everyday? Who has personally witnessed the scene of someone pushing a firecracker into the mouth of his 7-year old sister? Who has personally witnessed the scene of his parents being beaten up on a one-legged table? Who has personally witnessed the scene of their parents saying farewell while the 'rebels' were beating them and pulling them away by their hair?... If anyone has, then he may understand my feelings."

He pictured himself as alone standing at some corner and taking a hostile look at a hostile world.

No matter how he tried, Liu Yuan could not find any place where he could be forgotten, because he was Liu Shaoqi's son.

He fled to Shanghai. On the same day of his arrival, he was picked up by the "Public Security, Public Procurator, and People's Court" and brutally beaten up, because he was Liu Shaoqi's son. He fled to Nanjing. Here he was pushed by the "rebels" into a rubber bag to be totally sealed off and isolated, again because he was Liu Shaoqi's son.

That evening, he managed to sneak into Heping Lane and then to Ulanhu's home. Unfortunately, some members of the neighborhood committee came on their evening round, and found Liu Yuan like a rare treasure. Without asking a question, they arrested and threw him into prison. What crime had he committed? He was Liu Shaoqi's son.

The "son and brother of top-grade cadres" in Zhongnanhai got "top-grade" treatment.

Neither the blood relations nor the treatment can be changed.

As soon as Liu Yuan got out of prison in the winter of 1968, he was escorted to Baifangcun in Yanbei, Shanxi.

The house faced Taihang Mountain, and behind the rear window was the Sanggan He.

This is the mountain where General Zhu De set up his headquarters years ago, and this is the river on the bank of which Ding Ling [0002 3781] wrote her "The Sun Shines on Sanggan He."

The offspring of a state founder was now undergoing reform through supervised labor in the native home of China's sacred revolution under conditions of proletarian dictatorship.

"No talk, no action, and no contact with anyone" was what he heard on the first day.

Young intellectuals were together with him day and night. Then 20 days later, he was dragged out to be publicly criticized and attacked.

Someone murmured: How in the world did we find such a "live target" as Liu Yuan?

Liu Yuan was in despair. On his father's 70's birthday, the Plenary Session of the CPC Central Committee announced its resolution: "Liu Shaoqi is expelled from the Party for ever." For ever....

Liu Yuan, no longer under illusion, had nothing more to be afraid of. This is only one life, and a cheaper life cannot be found. At the criticism-attack meeting, he suddenly became incensed. Picking up an axe, he shouted: "I will chop off the head of anyone who attacks me again!"

He did not speak to anyone, and nobody dared to get near him.

Liu Yuan, then aged 17, was at work wielding with a scythe, pushing a plow, dragging a barrow, and facing the wind, the mountain, and the great earth. He came to the field ahead of others and was the last to quit. He toiled on with clenched teeth and in a death-defying spirit.

The commune members of Baifangcun were moved at this sight and wondered: "What crime has this boy committed that he has to go through this ordeal?!"

What the plain-minded peasants liked was the plain sight of someone working really hard.

"Liu Yuan, take a break." They said.

At last, some one talked to him and treated him as a human being.

"Even one or two words from them gave me great inspiration...."

Something happened a little later.

While he was hoeing, a young man from the village quietly slipped a piece of paper into his hand. On the paper was written: "I welcome you on behalf of all the poor and lower-middle peasants. There are good prospects in the countryside." Liu Yuan simply could not believe his eyes. That evening, with tears in his eyes, he wrote to his sister in Beijing about this incident. Unfortunately, this letter was censored, and something terrible happened. The special-case group ferreted out a "counterrevolutionary group," and both Liu Yuan and that young man had to carry sign-boards and to wear dunce's caps to be paraded through the streets in town.

"It didn't matter much to me, because I was accustomed to it. I was only sorry for the young man who gave me that slip of paper. His whole family was ruined; even his elder brother, then head of a people's armed force unit, was fired."

The villagers of Baifangcun were much annoyed. They simply refused to accept such nonsense.

On this occasion of our news coverage in Henan, we unexpectedly met a young peasant, named Bian Limin [6708 0448 3046], from Baifangcun of Shanxi.

He talked about the evening of the mid-autumn festival that year.

"All the young intellectuals had returned home to spend the festival, leaving behind only Liu Yuan. I went to see him at night. There was no light in his house. I found him sitting on a heatable brick bed and holding a medicine bottle. There was some wine in the bottle, but he had no food of any kind. I brought with me some dog meat, and while we were sitting on the brick bed and trying to drink to our hearts' content, someone knocked at the window. Liu Yuan went to open the window, but found nobody. Instead, two freshly baked cakes were laid out on the windowsill....

"Soon after the mid-autumn festival, Liu Yuan wanted to see his mother in Beijing. People from my village asked me to escort him. At night, I brought him five packets of cigarettes and some money contributed by others for his trip. We left after midnight. On the next morning, the county authorities send a posse after us. I was imprisoned for being an accessory and beaten half-dead."

Liu Yuan said: "Were it not for the kindness of the villages of Baifangcun, I might not be able to live today."

He was then penniless, and had to sell his blood. When he was hungry, he had to eat rats on the mountain slopes. The villagers of Baifangcun were very poor, but showed him great concern. At the edge of a field or the entrance of the village, they would give him a sweet potato; at night, they would knock at his window and invited him to take some sweet soup in their house.

He always wanted to show his gratitude.

Thus when the Zhang family built a house, he volunteered to put up the roof beams; when the Li family had a funeral, he volunteered to dig the grave; and for 3 years, he volunteered to carry water for the old and helpless, and also carry sick people on his back along some 20 li of mountain trails.... When asked about his work at the field, he would still say, "There is not much to talk about."

Liu Yuan was the very last of the 23 young intellectuals to leave Baifangcun. His transfer to Beijing for medical treatment and recuperation was approved by no other than Premier Zhou Enlai himself.

On receipt of the transfer order, Liu Yuan prepared to leave on the following day for Beijing to see his mother in prison.

But he could not leave so easily!

Baifangcun suddenly became astir. He was wanted as a guest in every family, and people lined up before him with their invitations. This social round lasted fully 20 days.

On the morning of his departure, the villager quietly stood by the street near the village entrance. It was a paradox of the turbulent year 1975 that the whole Baifangcun village was sending off the "son of a sinister clique member."

More than 30 young men formed his escort. After walking some 20 li of mountain trails, they finally reached the railway station.

Liu Yuan wept. Tears flowed copiously inside and outside the train. When the engine started, Liu Yuan looked out of the window and shouted: "I will return!"

He returned to Beijing with which he had been very familiar and to which he was now a stranger. The nationwide system of high school examinations was resumed 2 years later. Liu Yuan was then working in Beijing Forklift Plant, and wanted to try his luck in the examination. But his application was turned down by the relevant department. Neither the blood relations nor the treatment can be changed. As a final resort, Liu Yuan wrote to Deng Xiaoping. Upon receipt of his letter, Deng immediately gave this instruction: "Let Liu Yuan take the high school examination." As a result, he joined the department of philosophy in Beijing's B University with a score of 309 points in the examination. However, B University dared not accept him because "neither the blood relations nor the treatment can be changed." Finally, he was accepted by Beijing Teachers Training College, after some discussion by the party committee of that college.

"During my 4 years in college, I again experienced some abrupt changes in my 'personal destiny.' My father was rehabilitated, and instead of a 'sinister burden,' I immediately became the 'son of China's top senior cadre.' I was still my unchanged self, but an invisible wall was built around me...."

In the dormitory, his classmates played poker late into the night. He ventured to say: "Don't play anymore. Turn off the light." These remarks, which might sound common and frivolous only a few days ago now caused a wave of murmurs. Their conclusion was that people's attitude changes along with the change of status. The most disturbing event was the school's election of deputies for district people's congress in 1980. The students nominated Liu Yuan, but to his astonishment, slogans

were posted everywhere in the school compound saying: "We want common people, not aristocrats!" Liu Yuan received the most votes, but not a majority. His election fell through.

"Just because I am the son of a senior cadre? After more than a year's pondering, I have come to know that I cannot force people to understand me. I can win other people's trust only with my own actions. I hope to tear down that wall even though it may take me years or even decades."

After graduation, Liu Yuan insisted on going to the countryside. He had promised to show his gratitude to the people. He had said: "I will return!"

Henan is the province having the second largest population in China. It was ancient, primitive, and poor. This is the place where Liu Shaoqi lived a precarious life in the days of liberation. Yet, because of a gross miscarriage of justice 30 years later, he died in the very place he had liberated. Liu Yuan, as a people and his son, chose to work in Henan.

He stood on the road, and under his feet was a deep layer of China's yellow earth. He was offered a government job upon his arrival. He became the deputy chief of Qiliying Commune in Xinxiang County. There were then very many government officials, and he ranked 16th in the hierarchy.

"At first, the cadres as well as commune members had their misgivings and cast side glances at me, the 'foreign student.' Later, they were surprised to find me toiling at a weeding machine. Later again, when they saw me working on some boiling asphalt under a burning sun, they came to wipe the perspiration off my forehead...."

In a work distribution one month later, Liu Yuan was put in concurrent charge of a commune-run enterprise. Qiliying's per-mu output of wheat and cotton was about the highest in the world; yet the commune members were very poor. There were only five run-down factories resembling workshops. One of them, a winery, did not distill any wine for over a year, and another, a grease factory producing unsalable goods, had lost 200,000 yuan.

What can a young man like him do for the commune-run enterprise. However, he had the same drive he had in Yanbei working with the plow. The key to the solution of the problem was to produce goods in demand by relying on speedy communications. A news item attracted his attention. The residue of cottonseed oil can be used to produce asphalt in foreign countries, and Xinxiang is the key cotton-producing area of the country. If people make use of the cottonseed oil residue, they might see a small oilfield looming out of nowhere. He was full of enthusiasm and joined the commune members around the cauldron of asphalt day and night. The experiment was a success; the grease factory was saved and later made a

profit of 200,000 yuan. He also heard that hairy girls could hardly find any treatment, and took the initiative of manufacturing "dehairing cream." It worked wonderfully. He smeared the cream on a sheep's skin and on his own hairy leg, and found the hairs coming off. Unfortunately, the cream after application left some dark color on the skin, and no girl would dare to use it on her face. So his scheme did not work. But he thought of something else. There was then an "earth-dragon craze" (earthworm breeding) in Henan. He thought that "earth-dragon" powder mixed with wine would be a new product which could be effective in soothing the nervous system, stopping inflammation, promoting blood circulation, improving the appetite, and even treating arthritis. Therefore, he brought in an expert from Luoyang together with some "exotic dragon species." Several months later, a new type of wine appeared in China. It was effective in medical treatment and soon became a fast selling commodity. The winery, whose payment of wages had been more than one year in arrears, now came back to life, and made a net profit of 180,000 yuan in 6 months. From what we know, Liu Yuan successfully trial produced more than 10 new products in his first 2 months with the enterprise. According to a accounting conducted after autumn, that enterprise's profit nearly doubled.

Liu Yuan's promotion was rapid. He became deputy county chief 1 1/2 years later. When the county chief retired shortly afterward, he was elected "chief." Shortly afterward again, there was a reshuffle of the leading body of Zhengzhou, and Liu Yuan was elected vice mayor of that city.

Liu Yuan calls himself a "cadre of the rocket type." Who does not know about his good connections, because almost everyone in Zhongnanhai is his "uncle?"

However, it was strange that the cadres and people in the basic-level units all spoke for him. "If you think that Liu Yuan got his job from back-door dealings, ask the people and see if they agree with you."

Popular feeling is like a weighing scale. One year after he took concurrent charge of industrial development in the county, the industrial output plan was overfulfilled every month, and the profits of rural enterprises doubled. From the study of the "Strategy of Economic Development in Areas of High Grain and Cotton Output" to the separation of manure in earthworm breeding, and from visiting the mansions of the State Council ministers to discuss production targets to mobilizing people to clean up the slum areas, he works the whole year round with hardly any rest. Village A wanted to build a chemical plant; it had already raised the funds could not find a suitable manager. He then set out for Shanghai and brought back his uncle (a senior engineer). It took only 10 months after the drawing of the blue-print to put the plant into regular operation. A plywood factory in Village B was producing good low-price products; however, because of its remote location, people could hardly hear

about it. He then set out for Beijing to look for customers on its behalf, and the plant soon had brisk sales and prospered. A phosphate fertilizer plant in Village C was short of raw materials. Then he set out to Wuhan to see Wang Renzhong [3769 0117 6850] for the necessary supply and thus solved the problem. A county-run garage was incurring losses every year. He thought of a plan and set out for Beijing to visit the forklift plant where he formerly worked. He formed an association of the garage and the forklift plant, and brought back dozens of his former fellow apprentices. The garage made its comeback in the same year and became the most prosperous plant in the county in the following year. Nobody knew what was the method of mobilization he used; but the director of a plant and his family actually moved to Xinxiang for permanent residence. Liuzhuang was an old advanced unit with good experiences in enterprise management. At that time, liver extract was just making its appearance in foreign markets. With keen insight and firm decision, he encouraged Liuzhuang to set up a pharmaceutical plant. Liver extract was then in great demand in China, but Liuzhuang was a step ahead of others, and produced more than half of the total quantity in China. Liuzhuang people became very rich.

"When I worked soon after leaving school, I made many mistakes. Now, let me tell you my experience in planting Chinese cabbage some years ago...."

It was a fact. That year, Liu Yuan heard of people's success in cabbage harvesting in a certain province, and wanted to conduct a crash program of autumn planting. With great zeal, he employed some experts from far, far away for this purpose, but the program turned out to be a total failure. He later made self-examination on three occasions for this mistake.

Shortly afterward, he heard of the success of a high-yield peanut variety called "Haisheng No 1" in some province. This time, he acted enthusiastically and yet prudently by inviting experts from other provinces to give demonstrations on three different occasions before deciding to proceed with the planting on a county scale. That year, Xinxiang's per-mu output of peanuts was increased by 1,000 kg.

When the standing committee of the provincial people's congress was discussing about the nomination of candidates for vice-governorship, Secretary Qi Jiuwang [2058 0036 2489] of Song Village stood up and said: "We have never heard of any son or brother of senior cadres who is like Liu Yuan...."

Perhaps Qi Jiuwang was not well informed. However, every one of the several persons we have interviewed seemed to say that Liu Yuan does not look like a senior cadre's son.

His marriage registration in Qiliying could never have been more simple. He bought 3 yuan worth of candy to treat the guests and spent his wedding night in a 12

square meter cubicle of a dormitory. "That year, rural cadres went to Beijing to study. Before leaving Beijing, some of these cadres wanted to bring home some Beijing vermicelli, but could not find it on the market. On hearing this, Liu Yuan called on a former classmate in the vermicelli plant to help the cadres get what they wanted...." "When he was county chief, he was always busy outside and did not return to the county government's mansion until past midnight. The main gate was locked, and he did not want to disturb others by knocking. What do you think he would do? He climbed over the wall fence...." Old Chen of Zhengzhou's Public Utility Bureau always accompanied Liu Yuan in social activities. "That deputy mayor drove his car everywhere. Once, he made a 1,000-km trip to Beijing. After visiting several ministries and commissions, he had to hurry back to Zhengzhou without even seeing his mother. He said that he could drive faster at night so he could save some time for work during the day. After midnight, I was afraid that his driving might wear him out. So I put a lighted cigarette into his mouth every 15 minutes. ..."

Because of these and other incidents, there is no wonder that Liu Yuan does not look like a senior cadre's son.

Does he behave like a senior cadre's son? How should a senior cadre's son behave in people's eyes? It is hard to understand. No matter how he behaves, there is no doubt that he is a senior cadre's son.

"I admit that this is to my advantage." Liu Yuan said. "That is why I could do what some others cannot do. However, the gear would still keep on turning without me. I only helped by applying some grease."

As a vice mayor for 3 years, Liu Yuan was in charge of city construction. The job of a vice mayor is not an enviable one nowadays; even less is that of city construction. If we will take a look at the streets in Zhengzhou, we will see Liu Yuan as an object of public admiration. If his achievements are attributed to the memory of his father, whatever he does is only for the people's benefit. He has courage and stamina in work, because he is not afraid of losing his job. People have also called him the Li Ruihuan [2621 3843 3883] of Zhengzhou, because Zhengzhou has undergone remarkable changes in 3 years.... How did Zhengzhou come to have natural gas pipes, a transformed railway station, a new road circling the city, and new textile village, and so forth? Only the people of Zhengzhou can most profoundly appreciate the changes in the appearance of Zhengzhou City, and the benefits for the people in these 3 years, or 1,000 days.

Liu Yuan, people appreciate your expression of gratitude. The deputies of the people's congress have voted for you on behalf of the people.

Their votes show their trust, their expectations, and their praises.

The unexpected voting results has suddenly put you, uneasy as you are, in a leading provincial government post.

Despite all your qualifications and experience, taking charge of industrial construction in a province is by no means an easy job. What do you think of it?

"People have unsparingly shown me their love." As a graduate in the department of history, you have quoted from classics about historical facts: The Central Plain always abounds with 'historical sequels.' The offspring of loyal officials must be blessed in order that everyone can be happy."

This sounds reasonable, but not entirely so. The story of your past and your future must be written according to your own deeds.

We still remember the couplet hung on the wall of your home: "Along the long flowery path on a crimson mountain, the breeze that comes later is always fresher than its predecessor," signed by Chen Yun [7115 0061] in his 81st year.

If your father was still alive, he would now be in his 90th year, quite an advanced age. In 1966, Comrade Shaoqi said: "If Marx would grant me 10 more years, we can make China really strong." What China lost was precisely these 10 years.

Time waits for no one. You are still young. Apart from other considerations, aren't you still indebted to the people of the Central Plain for the strong fervor they have enkindled in you?



## NATIONAL AFFAIRS, POLICY

### Contract System Improvement, Results

HK1609032788 Beijing ZHONGGUO JINGJI TIZHI  
GAIGE [CHINA ECONOMIC SYSTEM REFORM] in  
Chinese No 8, 23 Aug 88 pp 7-11

[Article by Zhang Yanning 1728 1750 1337: "Perfect and Develop the Contract System, Improve Enterprises' Economic Results"; passages in boldface as published]

[Text] At the present stage in our country, the solution of many contradictions and the elimination of many difficulties depend, in the final analysis, on the improvement of industrial results. But the improvement of industrial results can only be realized on the basis of instituting a contracted management responsibility system in enterprises. This makes it necessary to concentrate our efforts on giving meticulous guidance and to making a success of the enterprise contract system in 2-3 years' time.

Since the beginning of this year, the contract system has made new headway. This is conspicuously reflected in the following ways:

**1. The competition mechanism has been introduced in the institution of contracted management through public bidding.** The competition mechanism has instilled new vitality into enterprises and become a major aspect in perfecting the contract system. This method was instituted in a few localities last year in some small- and medium-size enterprises operating with little profit. Today, some large- and medium-size enterprises have also instituted contracted management through public bidding. The introduction of the competition mechanism into contracted management has broken once and for all the shackles of the old enterprise management structure and stimulated the development of the new management system. 1) It has broken the traditional practice of promoting and appointing enterprise leading cadres and changed the practice of looking at horses to judge their worth, to one of horse racing, so that large numbers of competent managerial personnel who are bold in carrying out reform can show their talent. 2) It has stimulated the separation of ownership from the power of operations and reduced administrative intervention on enterprises by government departments, so that the enterprises can have decision-making powers in operations and management. 3) It has broken the pattern of "one-to-one negotiation" in the fixing of contract basis and enabled people to gain a fresh understanding of the enterprise potential through public bidding, so that the contract basis can be fixed rationally and in a scientific way. This is conducive to the tapping of the enterprises' internal potential. 4) It has changed the egalitarian mentality among enterprise operators, workers, and office staff and strengthened the authority of the operators and the sense of responsibility of the workers and office staff. 5) It has strengthened the enterprises' sense of urgency to develop on their own. Most operators not only pay attention to production and operations in

the contracted period but also set eyes on obtaining the right of contracted management in the next contracted period through competition. Consequently, they attach relative importance to achieving a great capacity for longer economic development.

**2. The risk of contracted management is shared with the introduction of collateral.** Many localities have conducted useful explorations on how to turn contract management by operators into one by the whole staff and how to bring their enthusiasm into play. Some localities have brought into play the tremendous results of the contract system with the comprehensive use of the competition mechanism, risk mechanism, and benefit mechanism and developed various practices, such as all-personnel contracted management and collateral contracted management. This system of all-personnel collateral contracted management has forged closer relations between the operators on the one hand and the workers and office staff on the other and enhanced the operational consciousness of all workers and office staff; it has strengthened the risk mechanism, providing the enterprises with a certain capacity to withstand losses; and it has turned part of the money in the hands of the workers and office staff into production funds. Following its further development it can combine into one, three functions, namely, collateral, collection of money, and shares. This represents a new way to strengthen the contract functions and to deepen enterprise reform.

**3. The practice of enterprises taking on the management of other enterprises through contracting or merger has been instituted.** Since last year, many localities have instituted the practice of enterprises taking on the management of other enterprises through contracting and merger. This is the outcome of the development of the contract system. When an enterprise takes on the management of another through contracting, the power of operations is shifted; when an enterprises takes on the management of another through merger, both the property rights and the power of operations are shifted.

Contracted management and merger enable the property rights and the power of operations of enterprises in an inferior position to move toward enterprises in a superior position, so that the personnel, capital, and technological superiority of enterprises in a superior position can be brought into full play and that the work space and equipment of enterprises in an inferior position can be utilized more satisfactorily, thus stimulating the rationalization of the enterprise organizational pattern and product mix and improving economic results. In the first 5 months of this year, the industrial output value of the 13 small enterprises in Jilin city, which were contracted to the Jilin Chemical Industrial Corporation, rose by 20 percent and the realized profits by 51 percent; through the practice of enterprises merging Baoding city has eliminated the operational losses incurred by the city's industrial and transport enterprises. Wuhan and Chengdu have set up markets for enterprise property rights.

**4. Some breakthroughs have been made in supplementary reforms within the enterprises.** Because the bases are fixed in contracted management, enterprises are forced to tap potential and to enforce internal supplementary reforms to improve economic results. Contracted management of enterprises, especially contracted management through public bidding, reduces administrative interference. Enterprises can exercise their decision-making power in operations fully and conduct internal supplementary reforms. Substantial breakthroughs have been made in this field. The first is structural reform. In line with the needs of production and management and the principles of streamlining and efficiency, many enterprises have set up new institutions, thus breaking with the conventions of setting up the same institutions as those in the higher authorities. The second is reform of the personnel system. With middle-ranking cadres employed through advertisement and examination and the institution of contracted management at all levels, the systems of the iron rice bowl and lifelong tenure for cadres have been discarded. This has stimulated the rational flow and optimized deployment of cadres. The third is reform of the labor system. With more and more enterprises optimizing their labor combinations, a sticking point in enterprise reform has been overcome. The fourth is reform of the wage system. The institution of the numerous forms of the system of linking total payroll with the enterprises' economic returns has created conditions for the reform of the distribution system within the enterprises. In light of their own characteristics, the enterprises institute various forms of the wage system, such as job wages, piece wages, floating wages, and structural wages. The four comprehensive supplementary reforms within the enterprises have yielded very good results. In Shenyang 786 industrial enterprises (accounting for 35.7 percent of the total number of industrial enterprises in the city) have optimized labor combinations by transferring more than 44,000 people from various posts and have provided jobs for more than 33,000 people through numerous channels, principally through the setting up of tertiary industries.

**5. The system of keeping funds on separate accounts has been implemented on a trial basis.** In line with the requirements of the "Regulations on Contracted Management," some localities are vigorously working out the method of implementing, on a trial basis, the system of keeping funds on separate accounts and have selected some enterprises to carry out the experiments. The division of enterprise funds has several advantages. 1. It can solve the sources of fund for losses incurred by enterprises. 2. It provides us with a scientific basis to assess the added value of enterprise assets and thus encourage enterprises to pay attention to long-term development and to overcome short-term conduct. 3. It creates conditions for the merger of enterprises in an inferior position by enterprises having substantial funds because the enterprises' fund amounts are linked not only to the good names of enterprise operators, workers, and office staff but also to the extension or loss of the power of operations.

**6. The contract system has been brought into the orbit of legality.** The Enterprise Law takes the contract system as a principal method of enterprise operations and the "Regulations on Contracted Management" stipulate a series of important issues relating to contracted management. The promulgation of the Enterprise Law has provided a legal basis for the implementation of the plant director responsibility system and unified the thinking of all sectors. In enterprises under contracted management, the key position and role of plant directors and the objectives which plant directors are held responsible for attaining during their tenure have been defined and further efforts are being made to straighten out the relationships between the party, government, and industry. Many enterprises have accumulated good experience in this field.

**7. Group enterprises have developed in the course of deepening reform.** According to incomplete statistics, there are nearly 1,000 large, group enterprises. In the course of their development, some new trends have emerged. 1. Association among the leading core of group enterprises has broken through the "three unchanged" pattern. 2. With their forms being constantly innovated and their functions constantly expanded, the group enterprises tend to be more diversified and comprehensive. 3. A number of group enterprises with scientific research and technological units as the main bodies have emerged. 4. The setting up of financial companies by group enterprises has opened up channels for financing within the group enterprises. 5. Some group enterprises have started to develop exports and to boldly enter the international market. Some export-oriented group enterprises are exploring ways of cooperation and association among themselves.

**8. The study of contracted management theories is fairly active.** The practice of the enterprise contract system has stimulated the study of contracted management theories. There have been extensive explorations into the mechanism, status, and role of the contract system, the relationship between contracted management and various reforms, and the development and improvement of the contract system in the future, and some useful achievements have been attained.

**9. Some new methods of management have come into being.** The contract mechanism encourages enterprise operators, workers, and office staff to vigorously seek methods of management suited to the characteristics of their enterprises, to strengthen the basic work, to arouse the enthusiasm of the workers and office staff for labor, to strictly administer enterprises, and to rectify such defects as lax labor discipline and low efficiency. Many enterprises have started applying the method of operating at full capacity and have accumulated a lot of experience, such as the "silent, highly-efficient, optimized work method" and the "group operational work method." These experiences have yielded good results in practical work.

The contract system will yield the greatest results this year. According to preliminary statistics, in the first 5 months of this year, the total output value of budgetary industries throughout the country rose by 11.3 percent over the same period last year; the sales income by 19.1 percent, the realized profits and taxes by 12.5 percent, the profits and taxes turned over to the state by 8.3 percent, the repayment of credits by enterprises by 42.9 percent, and the retention of profits by enterprises 20.6 percent. State revenue rose by 11.6 percent and this is directly related to the improvement of industrial results.

Since the beginning of this year, the contract system has deepened and developed. However, viewed from the nation as a whole, the development is still uneven. The quality of contracted management in some enterprises is still poor and some 10-20 percent of enterprises under contracted management fail to fulfill their contracts. The important task of enterprise reform in the second half of this year is to persistently grasp the contract system in line with the "eight-character policy" put forward by the central authorities and the general objectives for the development of the socialist commodity economy, with stress on implementing and improving the enterprise contracted management responsibility system and deepening the reform of the enterprise operational mechanism. On the basis of extensively instituting the contract system, we should improve the quality of contracted management, bring into full play the inherent energy in the contracted operational mechanism, and make further efforts to improve economic results.

**1. Conscientious efforts should be made to implement the Enterprise Law, deepen reform, and administer factories according to the law.** It is necessary to conscientiously study the Enterprise Law, change our concepts, and enhance the consciousness of administering factories according to the law. The core of the Enterprise Law is the separation of ownership from the power of operations. All economic management departments should change their functions, delegate power to the lower levels, reduce administrative intervention, and create a relatively relaxed economic environment for enterprises. A key issue in implementing the Enterprise Law is the institution of the plant director responsibility system.

An important issue in the implementation of the plant director responsibility system is to properly handle the relationship between the party, government, and industry in enterprises. Judging from the experience of some enterprises, the practice of the party committee secretary concurrently assuming the post of deputy plant director for political affairs is quite feasible and can be tried out in enterprises having the necessary conditions. Handling the relationship between the operators and the workers and office staff well is also an important job in perfecting the contract system. It is necessary to strengthen democratic management and bring into full play the role of workers and office staff as the masters of enterprises through various methods, such as instituting a system under which all personnel share the risk with the use of collateral and

perfecting the system of congresses of workers and staff members.

**2. It is necessary to extensively establish a competition mechanism in selecting outstanding operators in order to raise enterprise operations to a higher stage.** A link playing a key role in contracted management is competition through public bidding. If we can conduct competition satisfactorily at the plant level and if outstanding entrepreneurs can become plant directors through public bidding, it will be possible to break the depressed situation by quickly launching various reforms within enterprises. In the course of inviting public bidding for contracted management of enterprises, there is still some administrative intervention. Where conditions permit, contracted management of large enterprises should also be effected through public bidding. Enterprises that have signed contracts should also invite applications for jobs and contracted management at all levels. They should establish the competition mechanism from the main factory to branch factories, workshops, teams, and groups and integrate the employment of cadres with the promotion of outstanding workers to the posts of cadres. If the operators have been so improperly selected that they cannot fulfill the contracts, the enterprises should, in keeping with provisions of the "Regulations on Contracted Management," terminate the contracts and select operators again through public bidding. We should gradually build up a contingent of entrepreneurs through competition in public bidding and run the enterprises well.

In introducing the competition mechanism, it is necessary to implement the principle of "openness, equality, democracy, and selection of the superior," to throw off such restrictions as administrative divisions, ownership character, and professions, and effect equal competition in an open environment. All localities should create conditions for the setting up of tender markets and markets for enterprise operators, which will provide data and train personnel for contracted management through public bidding and, through the market, reduce direct government intervention in public bidding. With regard to those who fail to win the tender, we should also guide and train them so that they can raise their levels continuously and have the opportunity to take part in future tenders.

**3. We should encourage enterprises to take on the management of other enterprises through contracting or merger and urge enterprises to cater to the needs of the market, to develop themselves in the course of selecting the inferior and eliminating the inferior, and to optimize the enterprise setup.** In our guiding work we should pay attention to three points: 1) We should proceed from reality, take on the management of enterprises through contracting or merger where necessary, and stress optimizing the enterprise setup and product mix. 2) We should observe the principle of voluntary participation and mutual benefits. The competent departments should not forcibly act as go-betweens, prevent poor enterprises from taking advantage of the rich ones, and avoid rushing headlong into mass action. 3) Government departments should proceed from the industrial policy

and the economic development strategies in the localities, vigorously guide enterprises, provide services, and coordinate various interest relations lest state property be infringed upon. After the Bankruptcy Law goes into effect, it is still necessary to explore ways to integrate the merger of enterprises with the implementation of the Bankruptcy Law. Another telling point in the deepening of enterprise reform is how to solve the long-standing problem of enterprises operating at a loss. With regard to those enterprises run unsatisfactorily and at a loss for a long time, we should first be determined to contract for their management through public bidding.

If this is still unfeasible, some should be declared bankrupt and merged with enterprises in a superior position; others can be directly merged without throwing them into insolvency; and some small enterprises can be auctioned off. Zhejiang's Lanxi city has attained some results in decontrolling enterprise operations. In some trades, where the supply and demand are relatively balanced, we can also select some enterprises, such as enterprises dealing in watches, sewing machines, radio sets, and bicycles, to decontrol operations so that they can be genuinely responsible for profits and losses. In short, we should explore various effective ways to push the enterprises to the market and, through the selection of the superior and the elimination of the inferior, solve once and for all the question of enterprises operating at a loss for a long time.

**4. It is necessary to reform the labor system to optimize labor combinations.** In optimizing labor combinations, many localities have adopted effective measures. This is a good beginning. Viewed from previous practices, there are chiefly two ways to find placement for surplus personnel. The first is to rely on the enterprises to absorb them or make them wait for job assignments in the enterprises and the other is to rely on society to find placements and establish a social security system. From a long-term point of view, the latter is the direction of the reform of the labor system. In the near future however, because the social security system has not been established and the major environment has not taken shape, we are still unprovided with the necessary conditions to rely on society to find placements. A relatively feasible method is to absorb these people in the enterprises by various means and this is a safer thing to do.

In our view, in optimizing labor combinations we should pay attention to the following five points: 1) It is necessary to implement a policy of reducing personnel without reducing the total wages, stimulate optimized combinations at all links in enterprises, and arouse the enthusiasm of the reduced staff. 2) Optimized labor combinations should be conducted in the order of cadres first and workers second and administrative offices first and workshops second. There should be clearly-defined standards and fair assessments. Positions should be open for competition and income should be linked to contribution. 3) Enterprises should explore all possibilities of employment for surplus personnel and, when necessary,

give paid support in terms of capital, technology, and equipment. The new operational units should practice independent accounting and be responsible for their profits and losses. They should not be allowed to engage in the practice of eating from the same big pot in their relations to the original enterprises. 4) The government management departments concerned, including the labor, industrial, commercial, financial, banking, and public security departments, should support this effort and work in close coordination. 5) It is necessary to main a certain number of surplus personnel to take the place of or replenish other personnel at any time to facilitate the flow of personnel within the enterprises.

**5. We should establish a contracted risk mechanism in order to develop a relationship of shared benefits and risks between the operators and producers.** At present, attention should be paid not to take risk collateral as a means of distributing more bonuses in a disguised form. Collateral should be used in such a way that it can genuinely play the role of assuming risks. The period of collateral should coincide with the contracted period. The amount of collateral should preferably be increased year by year to strengthen the capacity to share the risks. When enterprises are operated at a loss, the collateral must be used to make up for the losses; when the enterprises make profits, the workers and office staff may receive a certain amount of interest.

**6. It is necessary to increase the number of enterprises experimenting with the practice of keeping funds in separate accounts.** The practice of keeping funds in separate accounts is an important aspect in improving the contract system. It is a method of solving the question of enterprises being responsible for their profits and losses. If enterprises have funds at their disposal, they will have the capacity to bear losses and the means to merge or combine with other enterprises or purchase the shares of other enterprises. The "Regulations on Contract Management" have made provisions for keeping funds in separate accounts and some localities have worked out methods for their implementation. We should conduct more experiments in more places and gain more experience before gradually popularizing this practice.

**7. It is necessary to explore ways to implement the share system in group enterprises.** Group enterprises are an effective form of enterprise organizations in expanding the productive forces while the share system is an important means of boosting the in-depth development of group enterprises. Having advantages in skilled personnel, technology, equipment, management, and information, group enterprises can boost the joint development of many small and medium-size enterprises and achieve optimized combination of essential production factors and rational distribution of resources. At present, an important issue in the development of group enterprises is to handle their assets well. We may start by considering the added assets of various parties in the groups, invest in each other, and buy each other's shares.

Then, we can gradually develop the practice of converting the remaining assets into shares by fixing their prices. Group enterprises with the necessary conditions should be developed into large holding companies with capital as a link and controlled shares at different levels. Moreover, we should set about studying various issues relating to ownership, leadership structure, and operational mechanism, as well as shares issue, evaluation of assets, transfer of shares, distribution of benefits, and protection of rights and interests.

Securities markets have been tried out in Guangzhou, Shanghai, Shenyang, and other cities. This provides enterprises with the opportunity to issue shares and raise funds through the securities markets. In so doing we can not only effectively shift a portion of social consumption funds into production funds but also define equity relationships. This is conducive to the separation of government functions from enterprise functions, the separation of ownership from the power of operations, and the improvement of the enterprises' operational mechanism, and enables enterprises to exercise their decision-making powers thoroughly. Moreover, the issuance of shares is also an effective way of using the market mechanism to assess enterprise performance and credit ability. Where conditions permit, the cities and enterprises, especially the export-oriented enterprises, may conduct this experiment. Small state-owned enterprises operating at little profit or at a loss may be sold by converting them into shares, or be auctioned off altogether. Small enterprises being leased should be perfected continuously and developed in accordance with the "Leasing Regulations." Experiments of other operational methods, such as the enterprise management responsibility system and the asset management responsibility system, as well as the after income-tax contracted management, should be conducted satisfactorily. We should constantly improve them and analyze the experience promptly.

**8. Attention should be paid to technological progress in enterprises to achieve optimization of products.** Price reform will sharpen competition for survival among enterprises. Enterprises should take advantage of this opportunity to promote technological progress. In light of demands on the domestic and international markets, they should develop new products, increase variety, improve quality, and achieve optimization of products. Over the past few years, we have developed a set of good work systems and work methods and accumulated a lot of experience in various fields, such as carrying out technological transformation in old enterprises, importing, digesting, and absorbing advanced technology, increasing the proportion of goods produced at home, and adopting the international standards. We should grasp this work continuously instead of leaving it unfinished. Making technological progress and increasing the enterprises' capacity for further development are important aspects of the management contracts. It is necessary to step up auditing and supervision to ensure their fulfillment.

**9. It is necessary to optimize management methods and tap enterprises' internal potential.** With the implementation of

contracted management, the operators have relatively full decision-making powers in operations. This, plus the introduction of the competition mechanism and the implementation of optimized labor combinations, have created conditions for strengthened management. Enterprises should proceed from the high plane of the economic development strategy, enforce strict management, and resolutely overcome such phenomena as lax discipline, serious waste, frequent accidents, and low efficiency. Continued efforts should be made to spread effective management methods, such as the "full-load work method," "within-factory banks," and other modern management methods.

It is also necessary to transplant good management and operational methods and experiences of township enterprises and joint ventures to state enterprises and to continuously launch activities to upgrade enterprises around the questions of improving quality, reducing consumption, increasing effect, and ensuring safety, so that the enterprises can raise their level of operation and management. The focus of the upgrading work should be placed on different fields of basic work, on reducing cost, and on improving product quality. In the course of assessment, instead of setting arbitrary demands, we should uphold standards, simplify procedures, and attach importance to practical results. At present, by making too many unnecessary inspections and public appraisals among enterprises, the relevant departments have substantially increased the burden on enterprises. To curb this, the State Council has issued numerous injunctions. The competent departments in all localities should adopt resolute measures to reduce the economic and non-economic burdens on enterprises. Enterprises also have the right to reject unnecessary inspections and public appraisals. Resolute efforts should be made to put a stop to the unhealthy practices of indiscriminately apportioning expenses, giving dinner parties, and sending gifts.

**10. It is necessary to step up ideological and political work in enterprises to arouse the enthusiasm of workers and office staff.** The deepening of reform, especially the institution of the price and wage reforms, will involve the immediate interests of all workers and office staff, giving rise to various problems of ideological understanding. We should attach importance to and step up ideological and political work in enterprises. Efforts should be made to conduct education among the cadres, workers, and office staff on the great significance of reform of the price and wage systems so that people can understand that doing their jobs well, improving the economic results of enterprises, and increasing the strength of the state are the foundation and guarantee for the success of price reform. In this way, we can arouse their enthusiasm for reform and strengthen their confidence in jointly tiding over the difficulties. We should advocate and cultivate the spirit of socialist enterprises unremittingly and improve the professional ethics of workers and office staff. It is necessary to conduct education on legality, factory style, and discipline among the workers and office staff to constantly improve their

quality. While carrying forward the fine traditions, we should, in light of the new situation in the in-depth reform, constantly improve and innovate ideological and political work. A democratic, equal, and two-way method of enlightenment should be encouraged so that ideological and political work can be closely integrated with the actual conditions in reform and production and with the ideological reality of workers and office staff and go deep into workshops, teams, groups, and individuals. Plant directors should grasp the building of material and spiritual civilization simultaneously. Leading cadres at all levels should show concern for the well-being of the masses, help them solve practical problems, and arouse their enthusiasm.

The central authorities recently decided to shift the focus of economic structural reform to price and wage reforms. Price and wage reforms will result in drastic changes in the enterprises' external environment, involve readjustments of interests between the state and enterprises, and affect contracted management of enterprises. The processing enterprises which will be seriously affected by the rising prices of raw materials should chiefly strive to improve economic results and enhance their capacity to absorb price rises. The state will also adopt some necessary policies and measures. We should have an ample understanding of the new situation to be confronted by enterprises.

The CPC Central Committee and the State Council pin the hope of the success of price and wage reforms on the improvement of enterprises' economic results. In the final analysis, state finance is provided by enterprises and the factor of price rises should be absorbed by them. Therefore, improving the enterprises' economic results is a fundamental way to endure the difficulties and extricate ourselves from the predicament. This is also a test of the contracted management mechanism. From now on, all enterprises should concentrate their attention on the improvement of economic results and try by every possible means to give further scope to the role of the contract system, improve various reforms within the enterprises, strengthen basic work in management, strive to increase production, readjust the product mix, save on energy, and reduce consumption.

## PROVINCIAL

**Song Jian Makes Inspection Tour of Shandong**  
*SK1709043288 Jinan DAZHONG RIBAO*  
*in Chinese 29 Aug 88 pp 1, 3*

[Text] During his 19 to 28 August inspection tour of our province's Qingdao, Weihai, Yantai, Dongying, and Zibo cities, Song Jian, State Councillor and concurrently Minister-in-Charge of the State Science and Technology Commission, stressed that in developing the export-oriented economy, attention should be paid to raising the level of technology and greatly promoting high-tech and new technology industries and that large scientific research units

and colleges and universities should have a firm faith in deepening reform, closely coordinate with the development of the economy, improve their mechanisms to optimize their organization of labor and make more use of their personnel, actively participate in the development of high-tech and new technology industries, and make due contributions to accelerating the export-oriented economic development and implementing the strategy for the economic development of coastal areas. On 27 August, Provincial Governor Jiang Chunyun made a special trip to Zibo City to visit Comrade Song Jian and to give a work report. Provincial Vice Governor Zhao Zhihao and others accompanied Song Jian in the inspection.

During the inspection tour, Comrade Song Jian visited the Institute of Oceanography of the Chinese Academy of Sciences, the Huanghai Institute of Marine Product, Qingdao University, Qingdao Oceanographic University, Weihai Campus of Shandong University, Weihai Campus of Harbin Engineering Institute, Yantai University, Petroleum University, Shengli Oilfield, Qilu Petrochemical Corporation, and more than 20 state, collective, and township enterprises.

When inspecting Weihai City, Comrade Song Jian said that development of the export-oriented economy and large-scale participation in international competition and exchange constitute an important part of China's endeavor to develop the commodity economy. To develop the export-oriented economy, we should pay great attention to developing high-technology industries because it is impossible for us to reach the advanced world level merely through hard labor. For a fairly long period of time in the future, high-tech and new technology industries focusing on electronics will unavoidably occupy an increasingly important position in the world. Without their development, we cannot consolidate our position in the world market. Therefore in developing the export-oriented economy, we must consider the development of high-tech and new technology an important strategic measure and carry it out. This does not mean, of course, that it is not important to expand the agriculture and processing industry oriented to foreign exchange earning. Rather, it means that we should have adequate understanding of this measure, and actively start now to carry it out. The "torch plan" to be implemented according to a recent decision of the state provides a favorable opportunity for the scientific and technical personnel of large universities, institutes, and plants (including third-line processing plants to initiate and lead high-tech and new technology industries. Comrade Song Jian praised Weihai City which, while vigorously developing the agriculture and processing industry oriented to foreign exchange earning, had lost no time in implementing the "torch plan," brought in more than 1,000 scientific and technical personnel from large universities, institutes and plants, and planned to establish an area in the city proper where high-tech and new technology, emphasizing information technology, is concentrated. He encouraged the city to be braver and increase its pace.

Concerning the way to organize the implementation of the "torch plan," Comrade Song Jian pointed out during the inspection that it is necessary to screen and classify high-tech and new technological achievements "floating above" as soon as possible; to make a full appraisal of the investment and the current and future benefit of relevant technological achievements in line with the market situation; to create a good environment for development and broaden financial resources through raising funds, issuing bonds, and other measures; and to include the development of high-tech and new technology in the economic development plans of the state and localities, and make it known to the people.

Comrade Song Jian expressed satisfaction with some large scientific research units and colleges and universities which had actively plunged into the development of technology industries in addition to scientific research and teaching, and had achieved some results. He urged them to further deepen reform, make more use of personnel, and render positive service to the economic development of coastal areas. He said that the focus of next year's reform of the scientific and technological structure is to further invigorate large universities and institutes. They must be determined to encourage their personnel to engage in development. The experiences of the Institute of Oceanography of the Chinese Academy of Sciences showed that the initiative of scientific and technical personnel can be aroused as long as policies are correct. Technical service by individuals will get nowhere. The best way is for scientific and technical personnel to cooperate and optimize their organization, include their work in the economic development plans, and carry out large-scale development. Comrade Song Jian also suggested that some new universities take diverse measures to enroll as many students as possible, and train personnel more quickly to meet the needs in the economic development of coastal areas.

In view of the pressure brought by the increased population of our country and the world, and the urgent need for more food and protein, Comrade Song Jian emphasized that coastal areas should also make full use of their advantages to greatly develop aquiculture through science and technology, and achieve wealth from oceans. This is a glorious historical task encountering the scientific and technical workers in the oceanographic field.

## SMALL-SCALE ENTERPRISES

### Shanghai's Township Enterprises Increase Export Earnings

40060427c Beijing GUOJI SHANGBAO  
in Chinese 14 Jun 88 p 1

[Article: "Shanghai's Township Enterprises Rush Into Export-Oriented Development; Their Export Delivery Value Reaches 2.6 Billion Yuan a Year"]

[Text] The 862 Shanghai township enterprises that suddenly appeared in the last decade have become a major

force in increasing export earnings for the port of Shanghai. The products of 500 of these enterprises that earn foreign exchange directly have entered international markets and are sold in over 100 countries and regions in Europe, America, and Asia. Their export delivery value reached 2.62 billion yuan in 1987, a 48.9-percent increase over 1986.

When they were first set up, these enterprises were short on funds, had simple and crude equipment, little management experience, and inferior product quality. Foreign trade departments solved the problems of production plants in such areas as funds, equipment, raw materials, and sales. The plants increased production, improved quality, increased varieties, and guaranteed delivery. Their common economic interests combined the advantages of both sides and injected new vigor into enterprise growth. After the Shanghai Yuejin Stainless Steel Works was joined to the Shanghai Light Industrial Products Import-Export Corp, it imported double boiler production lines and other advanced equipment from abroad. The trade side supplied raw materials and handled sales. About 20 varieties of stainless steel products were produced, accounting for one-third of Shanghai's supply, and increased its export earnings to almost \$3 million a year. Products are sold in over 60 countries and regions, and has become famous as "a jewel on Chongming Island."

In the last few years, a number of town and township enterprises have begun to set their sights on Sino-foreign joint ventures. They have achieved good results in developing good-selling products by drawing support from foreign capital, advanced technology and equipment, and management expertise. The Shanghai Xinyi Woolen Textile Corp, a joint venture between four partners, Xinqiao Village in Shanghai's Songjiang County, the Shanghai Livestock Products Import-Export Corp, the Shanghai Foreign Economics and Trade Industrial Corp, and the Yongxin Enterprises Co, Ltd, Hongkong, imported production equipment from Japan and Denmark, studied Hong Kong and Macao management methods, recovered its whole investment in 13 months, and was listed first among Shanghai's many foreign trade enterprises. In 1987, it earned \$35,000 per capita in foreign exchange and 80,000 yuan per capita in profits and became famous among its Hongkong partners for its "internationally advanced standards." Statistics show that Shanghai's suburban counties have attracted \$130 million in direct foreign investment in the past few years and have 56 Sino-foreign contractual and joint ventures, which account for approximately 20 percent of all of Shanghai's "three kinds of foreign trade enterprises."

In contrast to the past, Shanghai's township enterprises have increased their export earnings almost 20-fold in a decade. Export earnings in Chuansha County, which is known as "Shanghai's overseas village," have topped \$100 million a year. Products, such as Chongming County's household electrical appliances, Shanghai County's drawnwork, and Qingpu County's clothing,



have been developed into fast-selling items that earn over \$10 million a year in foreign exchange.

12267

## FOREIGN TRADE, INVESTMENT

### Problems With China's Clothing Exports to Japan

40060473 Beijing GUOJI SHANGBAO in Chinese  
19 Jul 88 p 3

[Article by Guo Li 6753 5461: "The Clothing Merchants Society of the Japan-China Economics and Trade Center Has Pointed Out That China's Clothing Exports to Japan Have Decreased; There Are Many Problems, the Major Ones Being Late Delivery and Poor Quality"]

[Text] On a recent visit to Shanghai and Beijing, a delegation from the Clothing Merchants Society of the Japanese Japan-China Economics and Trade Center told all relevant units that there are problems with China's present clothing exports to Japan. They pointed out that since the yen rose in value, Japan's clothing imports from certain Asian countries and regions have increased. In particular, South Korean and Taiwanese exports to Japan have rapidly grown, increasing in proportion year after year, while the proportion of Chinese mainland clothing exports to Japan alone has decreased year after year.

Statistics show that Japan imported \$3.886 billion of clothing in 1985 and \$7.624 billion in 1987. In 1985, it imported \$938 million in clothing from South Korea, or 24 percent of that year's clothing imports; in 1987, these figures were \$2.139 billion, accounting for 28 percent. In 1985, Japan imported \$364 million in clothing from Taiwan, or 9 percent of that year's clothing imports; in 1987, these figures were \$911 million, accounting for 12 percent. In 1985, Japan imported \$957 million in clothing from China, or 25 percent of that year's clothing imports; in 1987, these figures were \$1.616 billion, accounting for only 21 percent.

Teng Ben 5671 2609, head of the delegation to China, said that late delivery and poor quality are the two major reasons why China's clothing exports to Japan have grown slowly. In particular, the problem of late delivery has been especially outstanding for more than a year. For instance, a clothing merchant imported 110,000 articles of clothing from Shanghai in 1 year, only 23 percent of them were delivered on schedule according to contract, 58 percent were delivered 1 to 4 months late, and 19 percent were cancelled. Another merchant imported 250,000 articles of clothing from Beijing. Only 10 percent of them were delivered on schedule according to contract, 80 percent were delivered 1 to 4 months late, and 10 percent were cancelled. Another merchant imported 400,000 articles of clothing from Liaoning, 100 percent of which were delivered 1 to 2 months late. Exports to Japan from places, such as Shandong, Tianjin, Guangxi, Hebei, and Hubei, also had similar problems to varying degrees.

The results of a survey by the Clothing Merchants Society indicate that the major reason why deliveries are late now is that severe shortages of materials have slowed normal factory production. For instance, a shortage of material kept 82 percent of the 110,000 articles of clothing imported from Shanghai from being delivered on time; transportation problems kept 10 percent from being delivered on time, and quality problems resulted in redoing work on 5 percent. A shortage of material kept 85 percent of the 400,000 articles of clothing imported from Liaoning from being delivered on time.

Ignoring product quality has resulted in the production of substandard goods, and this problem is serious. One Japanese merchant imported 250,000 articles of clothing from Beijing, 90 percent was substandard and the work had to be done again. Some members of the delegation brought along samples of defective clothing imported from China: colors were faded, some were stained and spotted, some had holes and missing buttons, and some of the elastic bands on cotton trousers were held together with staples instead of stitches. Also, due to poor factory management and lax inspection, various kinds of foreign matter, such as sewing needles and scissors, were mixed in with exported clothing. There was an alarming number of these.

Japanese friends say that the problems in China's clothing exports to Japan are now worse than ever. Thus, some merchants are unwilling to continue to develop trade with China and some have begun to gradually decrease their imports from China so as to reduce their risks and losses. They emphatically point out that if these problems are not dealt with quickly, China's proportion of Japan's clothing imports will drop further and prospects will be very poor.

The Clothing Merchants Society was established in February 1975. It has made many valuable suggestions on increasing China's clothing exports to Japan.

12267

### Ministry To Develop Import Substitutes

40060427a Beijing GUOJI SHANGBAO  
in Chinese 14 Jun 88 p 1

[Article by Li Yinghao 2621 4481 3185 and JINRONG SHIBAO reporter Zhang Jidong 1728 4949 2639: "The Ministry of Machine Building and Electronics Industry Takes Steps To Develop Import Substitutes"]

[Text] In line with the directive from leading Central Committee comrades on gradually producing most of our machinery and electronics products domestically, the Ministry of Machine Building and Electronics Industry has quickly taken steps to publish a list of 604 import substitutes in 8 groups.



In order to develop import substitutes, the Ministry of Machine Building and Electronics Industry will organize its scientists and technicians to tackle key problems. Its priorities are 83 categories of approximately 1,200 mechanical products, such as heavy-duty mining equipment, power generation equipment, universal machinery, farm machinery, and instruments and meters, and 109 categories of approximately 1,500 electronics products, such as computers, ground communication stations, forest fire prevention monitoring systems, and expressway monitoring systems. Statistics show that if these 2,700 import substitutes can be mass produced through a concerted attack, they will be able to replace billions of dollars of imported machinery and electronics products roughly 3 years after the 7th 5-Year Plan.

A responsible person from the Ministry of Machine Building and Electronics Industry thinks that in order to realize this goal, it will be necessary to focus on transforming a number of outdated enterprises, while formulating relevant policies. Import substitutes should be treated like exports in their ability to save foreign exchange. Development and production of import substitutes should be included in state plans for new products and be given favorable tax and credit treatment. The responsible person also said that too many machinery and electronics products were imported a few years ago mainly because China's economic legislation was not sound. Relevant laws and regulations should be studied and formulated as quickly as possible and the task of controlling imports and developing import substitutes should be clearly legislated.

It is understood that the Ministry of Machine Building and Electronics Industry will join with planning, finance, banking, economic relations and trade, and customs departments to improve macroeconomic guidance in developing import substitutes and firmly stop unchecked importing of machinery and electronics products.

12267

**Legal Barriers Facing China's Textile Exports**  
400060506 Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 7, 30 Jul 88 pp 42-45

[Article by Sun Nanshen 1327 0589 3947: "Legal Barriers Facing China's Textile Exports and Appropriate Countermeasures"]

[Text] In recent years, textiles have consistently been the biggest export item in China's foreign trade. Foreign exchange earnings from textile exports in 1987 amounted to \$6.77 billion, accounting for one-fourth of national foreign exchange earnings from exports. It is an important source of foreign exchange revenue for China, as well as the main method of reducing China's trade deficit. Therefore, expanding foreign exchange earnings from textile exports

has become an important strategic goal of China's textile industry. China has an abundant labor force and abundant sources of raw materials for textiles, a good industrial base for textiles and a certain amount of technical capability, therefore textile exports continue to increase. At present, the U.S., the EC, and Canada are the main importing countries in international textile trade, as well as the main export markets for China's textiles, accounting for approximately 60 percent of the total amount of China's textile exports. These countries, in order to protect their own textile industries from the ever-increasing onslaught of cheap imported textiles, have all adopted trade protectionist policies and measures and implemented quantitative restrictions on textiles from developing countries. These countries' textile import quota systems are the main legal obstacles to China's textile export trade. Therefore, understanding the import quota-related legal systems of the U.S. and the nations of Europe, and adopting countermeasures, is of great importance from the standpoint of further increasing China's foreign exchange earnings from textile exports.

# I

In the U.S., textile import quotas are classified as absolute quotas (also known as quantitative quotas); that is, certain types of textiles imported within the quota period may not exceed a specified quantity, and amounts in excess either are not allowed to be imported or are detained until the next quota period and then declared at customs again. U.S. import quota measures are declared by the President based on legislation, and are stipulated in U.S. tariff lists against overimported types of restricted textiles. U.S. Customs has imposed import quotas on specific types of cotton, wool, and synthetic fiber goods manufactured or produced by various nations. In the EC, import quota measures are stipulated based on EC law, and its textile quota restrictions are directed mainly at certain types of imported goods. According to EC standards, imported textiles are divided into 114 types, of which some are quota types and some are non-quota types (for example, basket types); strict import quota restrictions are imposed on the former, while in the case of the latter, import restrictions are more lax, or are not imposed at all. In addition, the EC has also stipulated dual quotas on some quota types, taking each exporting country's total quota of imports to the ten EC countries and dividing it among the EC member countries according to a certain ratio, producing an allocation amount. Not only may the volume of a country's textile exports to the EC not exceed the total quota, its exports to each member country may not exceed the allocation amount, either. Under these import quota measures, the EC authorities in charge are responsible for signing and issuing import licenses after examining the export licenses submitted by importing firms. Importing firms of the various member nations must have licenses before they can import.

In practice, the above import restrictions are often legalized and implemented by importing nations through the "International Multifiber Agreement" and bilateral

textile trade agreements. The "International Multifiber Agreement" signed by developed nations and developing nations in 1973 stipulated that, under certain conditions, developed nations may impose quota restrictions on textile imports. Its basic principle is that restrictive measures may be applied only in situations of "market disruption" caused by textile imports. This so-called "market disruption" refers to an actual threat of serious damage to the importing country's textile industry. Articles 3 and 4 of this agreement also stipulate that under conditions of "serious damage", the importing nation may unilaterally adopt restrictive measures, while under conditions in which there "exists and actual threat of serious damage", the measures should take the form of a bilateral textile import quota agreement. At the same time, the agreement also stipulates that import-restricted textiles should be allowed to increase by an average annual rate of 6 percent over the "basic level" (i.e., the minimum annual textile import volume allowed by the importing country).

In December 1983, the Chinese Government formally joined the "International Multifiber Agreement" and the Second Extension Protocol, and in April 1987 participated in the signing of the Third Extension Protocol. Under this agreement, all of the nations currently imposing textile export quotas on China are nations which have signed bilateral textile trade agreements with China (i.e., signatory countries), namely, the U.S., Canada, and the EC, as well as Austria and the three Scandinavian nations. Based upon the various bilateral textile agreements, these nations respectively divide imported textiles into three large categories (of over 100 types). The first category is that of items with strict quota restrictions. The second category is that of agreed-upon restriction items (also known as "voluntary restriction items"). In circumstances in which imports of these items increase dramatically, the exporting country, after bilateral consultations at the behest of the importing country, voluntarily restricts its export volume. The third category is that of items not subject to quota restrictions. Of course, each signatory country has different standards with respect to textile classifications. Each of the bilateral agreements contains strict stipulations regarding various types of textile goods subject to quota restrictions.

U.S. restrictions against textile imports have become increasingly strict in recent years. The first Sino-U.S. textile trade agreement (1978-1982) stipulated imposing quotas on only six types of goods, but in the second agreement (1983-1987), the number was increased to 33 types. Moreover, during this period, the U.S. suddenly unilaterally declared the imposition of quota restrictions on an additional 58 types, causing textile quota goods to actually increase to 91 types.

The EC, too, is currently tending to increase restrictions on textile imports. In the first Sino-EC textile trade agreement (1979-1983), 23 quota items were stipulated. During this implementation period, at the suggestion of the EC, and after bilateral consultations, this was increased to 37. In the second agreement (1984-1988),

the scope of quota items was expanded to 49 items, of which 21 items were subject to dual quotas. These restriction measures undoubtedly created a rather large obstacle to the expansion of China's textile exports.

## II

Since 1986, the use of quotas for China's textile exports to the U.S., the EC, and Canada has gotten seriously out of control, and confusion has arisen in quota control. In some cases, various ports have signed and issued export licenses in excess of the quota. Textiles shipped in excess of the quota are denied entry through customs by the importing country, causing China's textile exports to suffer a serious economic loss.

In 1986, 44 types of goods were blocked at U.S. Customs and not allowed to come into the country. In the EC, 2.2 million articles of apparel of various types were denied entry through customs by just three member countries (the UK, West Germany, and France). As many as 3.8 million textile products were blocked by Canadian Customs. In the first half of 1987, the quotas for over 20 types of Chinese textile exports to the U.S. had been completely filled, but some ports continued to ship large volumes of these items to the U.S., with the result that they continued to be blocked at customs. There were also many types of goods whose quotas were over 80 percent filled. Some types of goods came very close to being blocked. Similar circumstances also existed with regard to textile exports to the EC and Canada. As a result of blocking the excess at customs, some types of goods have to be taken out of the next year's quota (generally not to exceed 10 percent of the quota for the fiscal year in question), and some types of goods, because their quotas are small, cannot be disposed of after being blocked. At the same time, blocking customs clearance also causes overstocking in China, and a large volume of textiles cannot be shipped out.

The concern of the various export companies over blocking at customs causes a waste of their allocated amounts. Consequently, production planning and shipping are concentrated within a short time period. The quota use of the various localities is unplanned; a quota for one year is often used up in a few months, leading to vying for quotas and causing a sudden dramatic increase in textile exports. Not only is it difficult for the markets of the signatory countries of the agreements to bear such a large volume of goods at one time, it is also difficult for China to guarantee the delivery time and quality of the goods. If a contract for a large volume of exports cannot be adhered to with respect to promptness of delivery and quality of goods delivered, it makes China responsible for breach of contract, and foreign businesses are quite dissatisfied with this.

I believe that there are many causes of the serious quota overruns by textile exports, resulting in blocking at customs. No doubt one direct cause is the quota restriction measures adopted by the U.S. and the European

nations. Another important cause is that the economy and trade departments and concerned export companies in some localities only take into account partial and local interests and lack a sense of the overall situation, resulting in the issuing of licenses in excess of the quota. However, a still more important cause is the problems which exist in China's quota control system.

At present, China's quota control relies primarily on administrative methods and lacks legal measures. Export licenses are signed and issued by many parties, and the central authorities have no way of exercising control. China's existing quota control procedure is for the Ministry of Foreign Economic Relations and Trade, based on the stipulations of the bilateral textile agreements, to distribute the overall quotas for various types of textiles to economic and trade agencies, commissions, and bureaus in various localities, and then for these to further distribute their quotas to various specialized foreign trade companies, also using quotas through issuing export licenses. In reforming the foreign trade system, due to expansion of local sovereignty, the Ministry of Foreign Economic Relations and Trade has successively given local economic and trade departments the right to issue licenses. Aside from economic and trade departments, there are currently over 30 departments with the right to issue licenses. However, the rate of progress of the various localities' use of quotas is by no means balanced. Companies which use up their quotas first often want more foreign exchange earned through export and use other localities' export quotas for the same types of textiles. The local economic and trade departments in the regions where these companies are located, because they consider local and partial interests, issue licenses and ship goods in excess of the quota. However, other localities' quotas of the same types of textiles by no means cease to be used. Such goods continue to be produced and exported, and consequently, the overall quota is of course exceeded, and a large amount of goods are blocked at customs in signatory countries. In order to prevent their own quota from being used by other companies, and to avoid having their export goods blocked at customs, the companies of various localities vie with one another to use quotas, creating unrest. Even though the Ministry of Foreign Economic Relations and Trade has clearly stipulated in "Methods of Controlling Textile Exports to Signatory Countries" that it is forbidden to issue licenses and export in excess of the quota without authorization, such a stipulation is very hard to enforce in a situation characterized by the lack of effective legal measures, exports by many parties, and selfish departmentalism.

I believe that, in order to effect a radical change in this situation, we should adopt certain legal measures with regard to export quota control, utilize a combination of administrative, economic, and legal methods, and clearly stipulate by law the following principle: in all serious cases of acts or methods in violation of the "Methods of Controlling Textile Exports to Signatory Countries", such as exporting in excess of the quota,

fraudulent use of quota classification numbers, unauthorized underselling, selling and cancelling licenses and the like, issuance of quotas to the violators should be stopped, legal responsibility should be investigated and affixed, and those responsible should be subject to economic and administrative sanctions. Besides the responsibility borne by export firms for serious violations of stipulations, all responsibility for the act of issuing licenses in excess of the quota should be investigated and affixed to each economic and trade department signing the licenses, in order to prevent the recurrence of this sort of phenomenon.

Analyzing this from another angle, the mutual disjointedness of administration and business in quota control also has a bearing on exporting in excess of quotas. This is displayed primarily in the following two aspects.

First, authority for allocating quotas is currently exercised by the Ministry of Foreign Economic Relations and Trade, but because of the needs of business, the opinions of textile import and export firms regarding allocation plans must be sought in advance, and only then can the plans be decided on. In this way, there is actually a two-plan, two-step allocation process, composed of preliminary review by the companies and decision by the Ministry of Foreign Economic Relations and Trade. This process often requires several months, and cannot adapt to the changeable conditions of the international market. Since quota allocation is too late (generally March of the year in question) and many firms have already concluded a large number of contracts before then, it is hard to avoid concluding transactions in excess of the quota. In order to prevent excessively late quota allocation and blind conclusion of transactions, I suggest that from now on unified allocation of textile quotas to the main textile import and export firms be performed first by the Ministry of Foreign Economic Relations and Trade, and then the main firms again allocate directly to their branch firms. It is possible in this way to simplify the allocation procedure, shorten the allocation process, and basically ensure that allocation will be completed at the beginning of each year.

Second, export license control is poor, and flaws emerge. The main flaw is that the economic and trade departments in the various localities are not strict in their checking when issuing licenses; some export firms with no export quotas fraudulently use quota classifications to export in excess, and the classification number written on the export license does not tally with the goods on the export contract. For example, in an effort to get through customs under false pretenses, the license may read "children's apparel" when the goods actually being exported are adults' underwear, and as a result the goods are blocked at customs and denied entry. I suggest that from now on the following measures be adopted to resolve such problems. Each specialized export firm must apply for export quota licenses based on the export contract. When economic and trade departments in

various localities issue licenses, they should check the textile classification number against a copy of the contract submitted, in order to prevent shipping in excess of the quota.

### III

I believe that, besides perfecting China's export control system, the basic way of expanding China's foreign exchange earned through textile exports and eliminating the legal obstacle posed by the import control systems of signatory countries is to effect a change in China's textile export strategy, in order to bypass the import quota systems of the U.S. and the nations of Europe. Two basic ways to do this is to switch from winning victory through quantity to winning victory through quality and to develop direct foreign investment by the textile industry.

#### 1. Switching From Winning Victories Through Quantity to Winning Victory Through Quality

The so-called "winning victory through quantity" refers to increasing export volume, and realizing foreign exchange earned through the superior prices of medium- and low-grade goods. However, with the continual rise of trade protectionism, and the increase in the number of textile quota items, there is not much hope of winning victory through quantity. In order to enter the international market, China's textile export enterprises and firms should fully understand the import quota systems of the signatory countries. A distinctive characteristic of the textile quota measures of the U.S. and Europe is that they restrict only volume, not amount of money. At present, China's textile exports to the U.S. and Europe are concentrated on over thirty of items. Many are medium- or low-grade goods with a low rate of foreign exchange earnings. These are competitive only in the low-priced markets of the U.S. and Europe, and a considerable part of exports are still textile raw materials, which take up a large part of the quota. Therefore, from the standpoint of China's short-term goal of foreign exchange earned through textile exports, the pressing task of the moment is to improve the quality and grade of goods, increase the variety of export items, and make a transition from primary products to manufactured products and from rough manufactured products to finished manufactured products. While maintaining the original export quota and non-quota exports, we must raise the selling price of export goods and the rate of conversion of foreign trade cost and realize the goal of reducing export volume and increasing foreign exchange revenue. This is an effective method of greatly increasing foreign exchange earned through textile exports by winning victory through quality.

#### 2. Developing Direct Foreign Investment in Textiles

Through direct investment which cuts across national boundaries, establishing textile firms overseas, and implementing operations combining production and marketing, it is possible to bypass the quota system, directly hold a certain share of the host country's market,

and greatly increase China's foreign exchange earned through textile exports. First, China is regarded as one of the world's major textile producers. It occupies a dominant position in the area of textile raw materials, and its textile production capability is increasing constantly. Second, the textile industry is regarded as a labor-intensive industry. Compared to technology-intensive and capital-intensive industries, it has few technical requirements, little investment, and can quickly achieve production capability and investment profits. Third, the textile industries of the developed countries are currently shrinking, but the volume of consumption of textiles is still growing, and the imbalance between supply and demand has created a huge market for textiles. Therefore, we should make full use of our superiority and opportunities, and quickly develop foreign textile investment. We should first invest in countries with no textile quotas. The textile industries of these countries are generally rather backward, and developed countries impose no quota restrictions on them. Therefore, after investment and production, textile exportation to developed countries is relatively convenient. Next, we should invest in developed countries, and market locally. From the standpoint of investment type, joint ventures are preferable. In this way, it is possible on the one hand to utilize the foreign side's existing financial channels, and conduct fundraising for investment projects at local banks, and on the other hand to utilize the other side's (i.e., the developed country's) advanced technology and management experience, as well as its marketing channels, and, through multiple processing and diversification of products, improve the quality and grade of textiles, and increase the products' foreign exchange earning capability.

13387/7310

**Article Urges Reducing 'Excessive' Imports of Machinery, Electronic Products**  
40060427b Beijing GUOJI SHANGBAO in  
*Chinese* 14 Jun 88 p 1

[Article: "China's Imports of Machinery and Electronics Products Are Seriously Imbalanced; Prompt Improvements Are Needed To Stop Irrational and Unchecked Importing"]

[Text] China's imports of machinery and electronics products have risen sharply in the past few years. Customs statistics show that China imported \$4.669 billion worth of machinery and electronics products in 1983. In 1986, this figure rose sharply to \$19.409 billion, or 7.8 times China's machinery and electronics product exports. This is the major reason why China has experienced a foreign trade deficit.

Excessive imports of machinery and electronics equipment not only has made China's foreign exchange payments nearly intolerable, but also has adversely affected the domestic market.

The former State Machine Building Industry Commission and Ministry of Electronics Industry recently sent several hundred scientists and technicians to 10 major custom-houses in cities, such as Tianjin, Shanghai, Dalian, Shenzhen, Huangpu, Qingdao, Erenhot, and Manzhouli. They spent more than a month surveying and counting 2,163,000 customs report bills and checking up on the payment cards for mass imports of machinery and electronics equipment throughout China since 1984. The survey and check-up clearly showed that 20 percent of these imported machinery and electronics products worth tens of billions of dollars could have been fully produced in China at a quality and performance level which would have been able to fully satisfy consumer demand. If domestic production plants had improved their management, set suitable product prices, and delivered on schedule, they could have satisfied consumer demand and kept another 25 to 30 percent of these products from having to be imported. In other words, nearly one-half of imported machinery and electronic products could have been supplied domestically instead of spending valuable foreign exchange to import them.

Leading Central Committee comrades have pointed out that China is now short on foreign exchange, a large amount of machinery and electronics equipment is being imported, and all sectors are importing much equipment for technical transformation. This is unacceptable; these imports must be stopped if they can be made in China.

Most of the imported machinery and electronics equipment was automobiles, motorcycles, machine tools, instruments and meters, food processing and packing machinery, household electrical appliances, medical apparatus and instruments, and computers. Almost one-half of the instruments and meters that were imported in the past few years at a cost of more than a billion dollars were common low-grade ones that could have been produced domestically. Of these, \$4 million to \$5 million a year of laboratory microscopes were exported while \$5 million to \$6 million a year were imported. Many of the machine tools that were imported in 1985 and 1986 at a cost of over a billion dollars were common ones that could have been produced in China, and the strange phenomenon even occurred where as many as 1,000 exported machine tools were reimported.

12267

### **Fujian Uses Foreign Funds To Upgrade Enterprises**

40060500b Fuzhou FUJIAN RIBAO  
in Chinese 5 Jul 88 p 1

[Article by reporter Zhang Jingui 1728 6930 6311: "Provincial Government Convenes Meeting To Discuss Province's Use of Foreign Funds To Upgrade Existing Enterprises: 102 Enterprises, 109 Projects Designated. Province Actively Uses Foreign Funds To Transform Existing Enterprises—Vice Governor Shi Xingmou Urges Province To Seize Opportunities, Be More Open-Minded, Make Use of the Policies Properly and With

Flexibility, Reinforce Leadership, and Blaze a New Trail in Foreign Fund Use"]

[Text] At the conference on Fujian's use of foreign funds to upgrade existing enterprises, held on 2 July in Quanzhou, the government announced the details about the first group of 102 enterprises and 109 projects which will be using foreign funds.

The 102 enterprises (excluding Xiamen's list of planned projects) are mostly Fujian's mainstay enterprises. They have strong leadership, sound enterprise management, high technological standards, and good economic performance. Success with these projects will blaze a new trail for the province in the introduction of new technologies to upgrade existing enterprises using foreign funds. This will have significant effect on the development of Fujian's export-oriented economy. Total investment in these projects is worth 1.638 billion yuan (30.5 percent will be allocated to light industries and 69.5 percent to the mechanical and electrical, and the raw and processed materials industries) and \$233 million in foreign exchange will be spent, and Fujian hopes \$100 million of that will come from foreign sources. When these projects go into production, the output value will be increased by 3.2 billion yuan, generating 690 million yuan in taxes and \$300-350 million in foreign exchange earnings.

At the conference, a decision was also made and the goal set to speed up Fujian's use of foreign funds to transform existing enterprises within the next 3 years. Before 1990, the province hopes to promote another 100 enterprises which comprise two-thirds of Fujian's large- and mid-sized mainstay enterprises and 300 of the province's smaller enterprises which produce quality and marketable goods and which are profitable and capable of earning foreign exchange, and use foreign funds to bring in new technologies to upgrade and turn them into export-oriented enterprises. The province will strive to use \$100 million in foreign funds each year to upgrade 300 enterprises, with foreign investment worth over \$1 million in each project. Investments will emphasize the expansion of the export of light industrial and textile products, at the same time, the province also seeks new breakthroughs in the use of foreign funds to transform, produce import substitutes, and increase exports in key basic industries such as the chemical, metallurgical, and mechanical and electric industries.

At the conference, Fujian's "Several Policy Measures on Encouraging the Use of Foreign Funds To Transform Existing Enterprises" was also discussed.

In his summation, Vice Governor Shi Xingmou [2457 1840 6180] pointed out that, in recent years, because of upgrading through imported technologies, the technological standards of Fujian's industries and enterprises have improved, and the economic strength has been greatly augmented. The province now has a group of products which can hold their own against any other products in the country. Exports and foreign exchange earnings have

also been boosted. But we must also recognize that Fujian's effort to transform its enterprises is less than perfect: the province has imported more tangibles than intangibles, and it has put too much emphasis on bringing in new projects and too little emphasis on digesting them. A few projects have been brought in without careful examination and studies, and as a result either they have failed to go into production on time or their production results are poor. Some imported equipment has remained in its crates after several years. These are major problems which we should pay more attention to. The vice governor went on to make three suggestions: one, we should seize the favorable opportunities before us. The province should be even more receptive to new ideas and boldly open up some of the better enterprises to joint venture arrangements with foreign investors. Two, the province should continue to adopt policies and measures to encourage the upgrading of enterprises, and make better and more versatile use of the present preferential policies, and encourage enterprises to take positive steps to bring in new technologies and undergo transformation. Three, the province should reinforce leadership, especially emphasize early stage feasibility studies, and keep an inventory of projects. The province also must help enterprises train and nurture foreign trade personnel and provide better services.

12986

**Guangdong's Deputy Mayors Discuss Ways To Improve Foreign Trade System**  
40060500a Guangzhou GUANGZHOU RIBAO  
in Chinese 12 Jul 88 p 1

[Article by reporter Wu Jianhong 0702 1017 4767: "Conversation Between Guangzhou's Deputy Mayors and Factory Supervisors and Managers of the Industry-Run Export Enterprises: Industry and Commerce Must Join Together and Support Each Other To Increase the Export of Industrial Products—A Four Point Suggestion on Accomplishing the Reform of the Foreign Trade System"]

[Text] Yesterday, Guangzhou's deputy mayors Lei Yu [7191 1342] and Xie Shihua [6200 1102 5478] and leading comrades from the city planning committee, the economic committee, the foreign economics and trade committee, and leaders from the banking, finance and taxation, foreign exchange regulation, and customs departments, and factory directors and managers of the industry-run export enterprises in the city met and launched a lively discussion on how to improve industry and trade relations and increase the export of industrial goods.

Integrating industry and commerce and letting industries run their own export business are essential to the reform of the foreign trade system. This year, the city's industry-run export business has seen tremendous growth, and it has added more than 30 new export

enterprises which run their own export operations. During the first 6 months of 1988, the volume of industry-run exports has more than doubled last year's for the same period and has become Guangzhou's main foreign exchange earner. But in the transition between the old and the new system, the city's industry-run export enterprises have also encountered a series of new questions and new problems which need immediate answers and solutions. In yesterday's discussion, the factory directors and the managers had a chance to speak out freely, and the city government leaders and responsible comrades from the various departments responded directly to the list of difficulties, questions, and issues and tried to solve the problems on the spot.

In response to questions and problems raised by the factory directors and managers, Lie Yu and Xie Shihua, the two deputy mayors, emphatically pointed out that in order to accomplish the reform of the foreign trade system, we must do the following: (1) Treat the specialized foreign trade companies and industry-run export enterprises as equals in respect to policies. The granting of export quotas and permits, the circulation of foreign exchange, and other essential aspects related to foreign trade and production operations should be coordinated with the export plans. Strive to create an environment for fair competition. (2) Work out the relationships between industry-run export enterprises in the reform's pilot programs. (3) Give industry-run export enterprises more management rights. (4) Industry-run export enterprises which have contracted to supply the specialized export companies must meet their contract commitments in full and on time.

In yesterday's conversation, Lie Yu, Xie Shihua, and others wanted primarily to meet together in order to analyze the situation facing the present reform and find ways to exploit the present opportunities and explore ways and means to further increase the export of industrial products. They said that reform of Guangzhou's foreign trade system, like other reform efforts, has achieved gratifying results, but we must understand correctly the difficulties and problems we are still faced with, and we must be confident and resolute. The industry-run export enterprises must take the lead and implement internal enterprise reform properly, firmly take hold of their own economic performance, and enhance their ability to bear their own financial burden. The industry-run export enterprises should be more conscientious about the export business and give it top priority. They must learn to make use of the state policies and use them with flexibility. To do that, they must first familiarize themselves with those policies. Not only the foreign trade department personnel, but the factory directors and managers, in particular, must study the state's, the province's, and the city's policies and regulations.

They are hopeful that the industry-run export enterprises will cooperate diligently with the specialized foreign trade companies, and not work against them, so that

industry and commerce can augment and support each other. This is essential for the accomplishment of the reform of the foreign trade system and it is also essential for the expansion of the export trade to earn more foreign exchange.

The two leading comrades of the city also pointed out that all relevant departments in the city must take positive steps to help the industry-run enterprises export more. They should be "more helpful, less meddling, more supportive, less critical, and more flexible." They should continue to approve new industry-run export enterprises, approving an enterprise as soon as another is firmly established so as to constantly expand the contingent of the industry-run export enterprises. They should promote more exports to earn more foreign exchange and push the city's export and foreign exchange earning record to a new height.

12986

**Qinghai Official Discusses Foreign Trade**  
40060485a Beijing GUOJI SHANGBAO in Chinese  
23 Jul 88 p 1

[Article by Lin Feng 2651 6912, director of the Qinghai Economic and Trade Department: "The External Economic Relations and Trade of Developing Qinghai"]

[Text] Qinghai, a province located in China's interior that economists and businessmen throughout the world are gradually coming to know, has become more active and is exhibiting vitality and vigor as a result of reform and liberalization. As of the first half of 1987, we had economic and trade ties with more than 40 nations and regions. All kinds of agricultural, animal, mineral, industrial, light industrial and textile products bearing the special characteristics of the Qingzang Plateau—such as Xining woven wool carpets, which are famous both at home and abroad, Qinghai broad beans, metallic silicon, ferrosilicon, Chinese caterpillar fungus, frozen beef and mutton, numerical-control machines, measuring and cutting tools, handicraft tools, and wool textiles—have been shipped eastward by train to Tianjin, Shanghai, Lianyungang, Guangdong, Shenzhen and other coastal ports for sale all over the world. Farsighted traders, bankers and industrialists from many countries and regions, Hong Kong and Macao compatriots, and overseas Chinese compatriots have come to this province, which has an area of 720,000 sq km, carrying order forms, ideas for economic cooperation or hopes for exploring the possibility of extending loans.

Qinghai, located in the northeastern part of the Qingzang Plateau and the source of the Chang Jiang and the Huang He, is a vast region that is rich in resources; 83 minerals have been discovered in the province, of which 59 have thus far been shown to have exploitable reserves. Of the latter, magnesium chloride, lithium, boron, lead,

zinc, silica, asbestos and the like are famous because of their large deposits and fine grade, and prospects are excellent for the development of petroleum and natural gas extraction. One of the 5 major herding regions of the nation, Qinghai has as much as 500-plus million mu of usable pasture, which comprises approximately 70 percent of the province's total area, possesses more than 21 million domestic animals of various types, and thus enjoys exceptional advantages for the development of animal husbandry. The province has 21.65 million kilowatts in theoretical water-power reserves, of which approximately 17.98 million kilowatts are exploitable, and generates 77.2 billion kilowatt-hours of electricity a year. From Longyang Gorge to Sigou Gorge, the Huang He has six cascades, which can be used to develop hydroelectric power. In addition, the province has abundant wind and solar energy resources.

Nevertheless, for a variety of historical and geographical reasons, Qinghai clearly is backward and deficient in many respects. We external economic affairs and trade workers have an urgent sense of our historic responsibility and are determined to utilize the strengths and skills of the five continents of the world to make up for Qinghai's deficiencies and make our province prosper. By developing external economic relations and trade, we hope to promote exploitation of our province's resources and development of our industrial, agricultural and animal husbandry production, which efforts, in turn, will help strengthen our external economic relations and trade, thereby achieving a benign cycle in which foreign trade spurs production and production promotes foreign trade.

We will utilize our advantages in resources to develop processing of minerals, animal products and other goods; energy and raw materials industry; communications and transport; and science and education. We will make special efforts to use hydroelectricity, petroleum and natural gas to fuel the development of the energy industry; salt lakes and asbestos to spur the development of the chemical and building materials industries; nonferrous metals to promote the development of the metallurgical industry; animal products to propel the development of the textile industry and other light industry; vehicles specially pressurized for operation at high altitudes to propel the development of the machine industry; and foods, feed and ethnic products to spur the development of the daily consumer goods industry. Thus we will create a diversified, multitiered economic structure that integrates the near and the far and the big, the medium-sized and the small; expand Qinghai's external economic relations and trade; and develop its economy.

As Qinghai's economic development advances, its external economic relations and trade grow steadily. We have used our advantages in mineral resources and in hydroelectric energy to expand exports of nonferrous and salt minerals. For example, such high quality minerals as metallic silicon, ferrosilicon, electrolytic nickel, potassium chloride, magnesium chloride, mirabilite, and alkali sulfides are exported to Japan, Australia and Europe.



We have also used our unique geographical conditions and advantages in animal husbandry, wild plants and resources to develop exports of grain oil, animal products, medicines and other health products. For example, Chinese caterpillar fungus, which improves the spirit and clears the mind; plump Qinghai broad beans, which are rich in protein and free of insect damage; lustrous and soft wild animal hides and furs, which can be used to make medium- and high-grade garments; textiles and high-grade, hand-woven carpets made of resilient, lustrous "Xining wool"; and the like enjoy good reputations on international markets.

We have exploited our advantages in the machine industry and vigorously developed exports of electro-mechanical products and handicraft tools. Our medium- and high-grade machines have already entered Japanese, Southeast Asian, European and American markets. And Squirrel-brand wrenches, measuring and cutting tools, electrical machines, electric tools, storage batteries, ship gear boxes and other products are well received in Hong Kong, Macao, Southeast Asia and other countries.

The growth of Qinghai's external economic relations and trade has by no means gone to our heads but rather has made us more clearly recognize the need to expand our international markets, to consolidate and increase our traditional exports, and to develop new exports. The products we have recently developed—ferrosilicon, electrolytic nickel, Tibetan carpets, Chinese ephedra, handicrafts that have rich ethnic flavor, and a line of health products made from Chinese caterpillar fungus—are either just entering international markets or are already selling well.

Qinghai is a strategic region that has great hope yet still awaits development. Although our external economic relations and trade remain quite small in scale, the gradual shift of emphasis in national development to the northwest has made Qinghai's prospects very bright indeed. We enthusiastically hope that industrialists, bankers, traders and friends in other lines of work from all countries of the world, as well as Hong Kong, Macao and overseas Chinese compatriots—all of whom we warmly welcome—will come to Qinghai to visit, discuss trade, set up factories, develop resources, transfer patents and advanced technology, and set up joint equity, cooperative or wholly owned ventures. We will make things as convenient as possible for and extend preferential treatment to these visitors and advance our external economic affairs and trade on the basis of mutual benefit.

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#### **Preferential Measures Offered by Qinghai to Foreign Investors**

40060485b Beijing GUOJI SHANGBAO  
in Chinese 23 Jul 88 p 1

[Text] Qinghai's Preferential Measures to Encourage Foreign Investment include 20 articles, the key of which are as follows.

Article 6. During the state-mandated period for reductions in or exemptions on enterprise income taxes, foreign funded enterprises shall also be exempted from paying local income taxes. When this period expires, local income taxes on most enterprises shall be reduced by one-half for another 3 years, and the local income taxes on enterprises producing for export or employing advanced technology shall be waived for 5 years. All enterprises whose export value comprises 70 percent or more of their total output value shall be exempt from local income taxes.

Article 7. When foreign investors wish to expatriate profits they earn from the enterprises in which they participate, they may, with the approval of tax agencies, be exempted from paying income taxes on the amount of profits to be expatriated. All enterprises producing for export or employing advanced technology shall also be exempt from income taxes on expatriated profits during their terms of operation.

Article 8. Foreigners reinvesting their profits in Qinghai for operational periods of not less than 5 years may apply to tax agencies for enterprise income-tax refunds equal to 60 to 80 percent of the amount reinvested. Profits reinvested to establish or expand export-producing or advanced-technology enterprises shall earn refunds equal to the full amount reinvested. Investors who withdraw from their investment projects before the 5-year limit has expired shall return the amount refunded.

Article 14. Foreign funded enterprises shall be granted priority in plant-site assignments. Land-use fees shall not exceed 5 yuan a year per 1,000 sq m for industrial land and 10 yuan for land used for the tourist industry in Xining Prefecture and 2 yuan in the counties located along the railway in Haidong Prefecture and shall be waived in all other prefectures. Enterprises producing for export or employing advanced technology shall be exempt for 5 years from the day on which they are registered from paying land-use fees in Xining and Haidong prefectures.

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## **POPULATION**

**Wu Cangping Discusses Asia's Population**  
40060475 Beijing ZHONGGUO RENKOU BAO  
in Chinese 1 Jul 88 p 1

[Article by reporter Yao Minhua 1202 2404 5478:  
"Asians Should Be Asia-Conscious; A Visit with Professor Wu Cangping, CPPCC Standing Committee Member and Noted Population Scholar"]

[Text] "Asia's population is an exceptionally thorny issue and an extremely pressing problem, and there is no easy and perfect solution. Consequently, we must pursue a comprehensive, well-considered, feasible overall



program." This is what Professor Wu Cangping 6762 3318 5493, Chinese People's Political Consultative Conference standing committee member and noted population scholar, told this reporter at activities marking the day Asia's population reached 3 billion.

Professor Wu said candidly that when the earth's population reached 5 billion last year, the occasion had a significant impact throughout the world. Asians must be "Asia-conscious." Professor Wu served as a specially invited population expert at the second general session in Beijing last year of the Asian Population and Development Forum, and made 5 recommendations regarding activities marking Asia's "Population 3 Billion." He suggested that the purpose in launching the activities would be to capitalize on the opportunity to publicize throughout Asia the necessity and urgency of population control, and to appeal for joint action on the part of the governments, legislative bodies, and mass organizations of the various countries. This proposal was roundly applauded by the representatives of the different nations, and was recorded in the forum's Beijing Declaration.

Many people feel economic development is the most important problem confronting Asia today, but Professor Wu takes exception to this. He said that the population issue is both a new and old problem facing Asia. He analyzed the conflict between Asia's population and development. First, the period of change in the Asian population occurred nearly a century later than in Europe. It was not until after the industrial revolution, when industrialization and urbanization had begun, and the social economy was firmly grounded, that Europe experienced rapid population growth. But the situation in Asia was different. At a time when most nations had just been freed from colonial rule, when their national economies and education had not developed much, when full-scale reconstruction had yet to begin, the area faced high rates of population growth. Consequently, the difficulties we face in terms of feeding, employing and accumulating capital funds for 3 billion people, and in industrializing, modernizing, and improving the standard of living and the quality of the people, are the greatest in human history. Second, the population mortality rate in present day Asia is dropping much more rapidly than in Europe during the transformation period. From the 1950s to the early 1980s, average life expectancy in Asia increased 0.16 year per year, while in Europe and the United States the average annual increase was only 0.16 between 1840 and 1900, and 0.35 between 1900 and 1940. Due to various socio-economic factors, most Asian nations have maintained their former relatively high birthrates. As a result of a sluggish drop in the birthrate, Asia's population growth rate is 2 to 3 times higher than Europe's highest rate of growth, and this makes it hard for developed countries to understand in any profound sense how difficult it is for Asia to develop. Third, during the period of the European countries' most rapid population growth, a significant portion of the population moved to America and Oceania, which

relieved the population pressure to a certain extent. But Asia, whose population has increased by 1-plus billion in the past 30 years, has had to assimilate that increase locally, which makes Asia's population growth much more severe. Talking about the importance of the population problem does not solve it, but all problems can be solved. However, it would be a mistake if we think it can be solved automatically simply through economic development, and thereby do not take population control seriously. If most contemporary Asian nations wait for economic development before controlling their populations, they will miss their chance and the population explosion will continue. The result will be that neither society nor the economy will be able to develop in a smooth and sustained manner, and may even lead to a vicious population-development cycle, with dreadful consequences.

Next, Professor Wu gave this reporter a basic description of Asia's population: it generally accounts for over one-half of the world's total. It accounted for 65 percent prior to the 17th or 18th centuries. In the early 20th century Asia began to be reduced to the status of a colony, and during this period its population dropped to about 55 percent of the world's total. As for the latter half of this century, in the wake of various Asian nations achieving independence, after 1950 they began to enter another period of expanding population, and account for 60 percent of the world's total. At present, 3 out of 5 people in the world are Asians, and the population density in Asia probably is 3 times the world population density. The Asian population reached 2 billion in 1968, and in the 20 years since then the population has increased to 3 billion. According to optimistic estimates, Asia will probably have a population of 4 billion by 2010, which is a span of only 22 years.

Professor Wu pointed out that most Asian nations, including China, Japan, and India, are characterized by large populations and little arable land. For these nations, population control will impact significantly on agriculture and the environment. Asia is one of the regions where civilization originated, and comprises many countries with ancient civilizations. Sustained long-term population growth and years of cultivation resulted in a continual worsening of the ecology and environment, and those countries with ancient civilizations have become wastelands. This applies to China as well. Because of an excessively large population, environmental protection is difficult. Fertile soil lost in one year due to erosion in China is analogous to that year's national gross output of chemical fertilizer. In the process of developing their national economies, Asian nations find it difficult to both feed an ever-increasing number of people and effectively protect the environment.

When talking about the economic and population problems of Asia's four small dragons (Hong Kong, Taiwan, South Korea, Singapore), Professor Wu said the world feels efforts in these areas can be integrated in China as

well. Culture may influence the situation somewhat, but this should not lead us to overlook the population problem. Asia's four small dragons primarily relied on labor-intensive practices in the past to develop economically, but have now discovered this was not a long-term approach. All of them have instituted family planning, and have changed to a technology-intensive model. Relying on a large population is not the way to develop the economy; those times have passed. In the macro sense, it is difficult for a nation with low per capita resources to attain and surpass advanced world levels. Looking ahead to the 21st century, if Asia's population cannot be stabilized, and a signal is being sent to the Asian nations that it must be, that population will reach 4 billion around 2010. The prospects are not encouraging, even though many nations have now begun to control population growth.

At this point, Professor Wu switched the topic of conversation to China's population problem. He said that raising the issue is important for Asia, and China as well, because China's population accounts for one-third of Asia's total population. A pressing problem at present is that we must correctly understand the third baby boom confronting us; a mere repeat of the second crest means the birth of 300 million people. This day marking a population of 3 billion should arouse all the people in China to work together for population control. Under no circumstances must we allow our population birth rate to exceed the second birth crest. We are now in a crucial period, one which affords us a rare opportunity to adjust the population age structure. The rise in population in recent years is a signal; if we do not take it seriously, it is entirely possible we will exceed the second population crest. We must do all we can for the next several years to keep from exceeding 20 million births per year. On this day marking Asia's 3 billion population, this is a relatively realistic target for China. If the third crest does not turn out well, we may be more passive in the future. What we need to have the people throughout the country understand is that by the end of the present century China's population will be approximately 1.2 billion, and the population will increase even more. Therefore in the next century we cannot sit back and relax. When Asia's population reaches 4 billion, the people born during China's third baby boom will begin to enter the age of marriage and childbearing.

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## TRANSPORTATION

### Reform of Railway System

HK0510024188 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 1988 pp 45-47

[Article by Zeng Qingshui 2582 1987 3055 and edited by Huang Weilin 7806 0251 2651, responsible editor: "The Policy of Low Railway Freight Charge Must be Adjusted"]

[Text] The present construction of railways is plagued by various difficulties. While the amount of revenue is small because of the low railway freight charge, the

operation cost keeps on rising because of the increased prices for materials needed for transportation and production. While its accumulative rate is getting lower and the construction fund available is limited, the cost of railway construction gets higher because of the price increase, so that large-scale investment can only achieve poor economic results. The phenomenon of tackling problems about price changes, poor revenue and low output by means of a rigid railway freight charge, hefty expenses and costly investment highly restricted the railway development. Hence, we must first reform the state policy of low railway freight charges in order to put an end to the languid and backward situation and make the development of railway correspond with the economic development as well as people's daily needs.

First, since liberation China has been practicing the policy of low railway freight charges, which is very irrational. It is showed as follows:

The first point is that the level of railway freight charge is low. China's flat railway freight charge was formulated in 1955 when it adopted the policy of levying low transportation charges, and the freight rate was only 0.0165 yuan per ton kilometer, which was decreased to 65 percent of the level before liberation. The railway freight charge has been repeatedly readjusted over the past three decades and more, it was decreased before bouncing back. Let's take the freight charge of 1955 as the base of 100. The charge was 99 in 1961, 86 in 1962, and 106 in 1983. In 1985, in order to promote a split-flow of highways and railways, the state increased the railway freight charge on 200 kilometers short-distance transport. In 1986, the freight rate was up to 0.0199 yuan per ton kilometer, or an increase of just about 120.6 percent over the 1955 figure. Such a low charge is rarely found in the world.

The second point is that part of the railway cost is lower than the transportation cost. For example, on transportation by refrigeration cars, the 1985 transportation cost was 439 yuan per ton kilometer whereas the freight charge on vegetables was only 218 yuan, or 49.6 percent of the transportation cost. Similarly, the freight charge on fruits was 270 yuan, or 61.5 percent of the transportation cost, and that on fish and meat was 379 yuan or 86 percent of the transportation cost. In another example, while the transportation cost of transportation by container cars was 266 yuan per ton kilometer, the revenue derived from such transportation was 279 yuan and the net revenue after business tax was 264. The railway authorities have been suffering losses whenever handling such transportation, and the more they transport the more losses they suffer.

The third point is that changes in the railway freight charge do not correspond to those in the price index. Its increase has been far behind that of the price index. Compared to 1955, the 1986 national general price index was increased by 54.4 percent, whereas the railway freight charge was increased by only 20.6 percent, which

showed that the price increase was 1.1 times more than the increase of the railway freight charge. In foreign countries, the growth rate of freight charge is at the same pace as that of price index. For example, if we take both the bases of price index and freight charge in 1970 as 100 respectively, the 1975 price index in the United States was 139 while its freight charge was 134; whereas its 1980 price index was 212 while its freight charge was 224. In West Germany, the 1975 price index was 135 while its freight charge was 143; whereas its 1980 price index was 164 while its freight charge was 166. In Britain, its 1975 price index was 184 while its freight charge was 172; whereas its 1980 price index was 264 while its freight charge was 289.

The fourth point is that the price parity among various means of transportation is irrational. In 1985, the railway freight charge was 0.0191 yuan per ton kilometer while the highway transportation charge was 0.21 yuan per ton kilometer. Hence, the price parity between the railway freight charge and the highway transportation charge was 1:11. However, in the United States, where the transportation industry is quite developed, the above price parity is 1:5.7, and the price parity of West Germany is 1:1.7.

The fifth point is that the proportion of the railway freight charge to the gross industrial and agricultural output value has been dropping. In 1955, the proportion of the railway freight charge to the gross industrial and agricultural output value was 1.46 percent. The percentage was 1.42 in 1975 and dropped to 1.19 in 1985. It further dropped to 1.17 in 1986, a decrease of 20 percent compared to that of 1955. In foreign countries, the 1955 proportion of railway freight charge to the gross industrial and agricultural output value in the United States was 3.5 percent and that of the Soviet Union was 2 percent, higher than that of China.

The sixth point is that the proportion of the railway freight charge to the commodity prices has been very low. According to an estimation by a research center under the State Council, 161 out of, or 64.4 percent of, 250 categories of major commodities paid a railway freight charge of less than one percent of their price; 11.2 percent of these major commodities paid a railway freight charge of one to two percent of their price; and only 10 categories, or 4 percent, paid a railway freight charge of more than five percent of their price. While the percentage of railway freight charge in the sales cost is very low, the value added to the commodities following being transported by railway is very great. For example, while the railway freight charge on a banana from Guangzhou to Beijing was 0.03 yuan, the price of a banana was increased from 0.5 - 0.6 yuan to more than one yuan. Likewise, the railway freight charge on an apple from Yantai to Guangzhou was only 0.02 yuan, the price of an apple was increased to more than one yuan. In foreign countries, the proportion of freight charge to the commodity price is much higher than that in China. For example, on petroleum and its products, the proportion is 5.8 percent in China whereas it is 24 percent in

the United States. On timber, the proportion is 7.4 percent in China whereas it is 18 percent in the United States. On articles for daily use, the proportion is about one percent whereas it is more than 4 percent in the United States. In general, their figures are two to three times more than those of China.

Second, China's protracted policy of a low railway freight charge brings about difficulties in railway operations. They are mainly:

(1) Sharp drop in the purchasing power based on the railway freight charge. In 1955, the revenue derived from the railway freight charge per 10,000 tons kilometer could purchase 14.9 tons of raw coal, 1.15 tons of pig iron, 3.37 tons of charcoal, 1.13 cubic meters of antiseptic bed timber, and 2.95 cubic meters of logs. In 1986, however, the amount could purchase only 6.2 tons of raw coal, 0.7 tons of pig iron, 1.8 tons of charcoal, 0.6 cubic meters of antiseptic bed timber, and 1.4 cubic meters of logs, even by means of calculation on the basis of parity of price planned by the state. Compared to 1955, the purchasing power was only 42, 61, 53.4, 53 and 47 percent respectively.

(2) The railway authorities cannot afford the price increase. Though the railway authorities have adopted the policy of a low railway freight charge, the materials needed by them have been on a spiral increase to such a level that they cannot afford them. Let's take the major materials needed by the Guangzhou Railway Bureau as an example:

Diesel: In 1983, its average price was 299 per ton. The price was 423 in 1984, 526 in 1985, 555 in 1986, and 624 in 1987. The total increase over these 4 years was 109 percent. In particular, the consumption of high priced oil by the railway authorities has been increased drastically. In 1987, the bureau consumed 88,000 tons of high priced oil, or 49.7 percent of its total oil consumption. This year, the bureau has been assigned 214,000 tons of diesel oil as the high priced oil consumption quota, in which 143,000 tons or 66.8 percent were high price oil. After the state has set a maximum level for the major means of production, it is very difficult for one to place an order for his planned oil at a reduced price, so that everyone is forced to buy oil at a high price. In the first 2 months of this year, the bureau purchased 40,000 tons of diesel oil at an average price of 790 yuan per ton, so that its consumption of high price oil was 72 percent.

Coal: In 1983, the converted average price of coal was 92 yuan per ton. It reached 104.5 yuan in 1984, 110.5 yuan in 1985, 122 in 1986, and 128 in 1987. The total increase over these 4 years was 39.1 percent.

Timber: In 1985, the average price per cubic meter was 240 yuan. The figure reached 309 in 1986 and 353 in 1987. The total increase over these 2 years was 47.1 percent.

Price increase has raised the expenses of the railway bureau. In 1986, it paid 41.4 million yuan more because of the price increase. But the transportation cost kept on rising as its 1987 figure of expenses showed another increase of 59 million yuan compared to the previous year. In 1984, its transportation cost per 10,000 converted ton kilometer was 89.96 yuan. The figure reached 117.22 yuan, or increased by 30.0 percent, in 1987. The major reason for the increase in the running cost is the sharp increase of expenses concerning raw materials. For example, the maintenance expenditure of the frame of each steam locomotive was 3,770 yuan in 1983. The figure reached 6,196 yuan, or increased by 64.4 percent, in 1987. The maintenance expenditure of the frame of each diesel locomotive was 33,000 yuan in 1983. The figure reached 63,000 yuan, or increased by 88.3 percent, in 1987. The maintenance expenditure of each car was 1,446 yuan in 1983. The figure reached 3,002 yuan, or increased by 107.6 percent, in 1987. The maintenance expenditure for railway line was 1,273 yuan per kilometer in 1983. The figure reached 3,750 yuan, or increased by 191 percent, in 1987. The maintenance expenditure for communication lines and equipment along the operating railway line was 531 yuan per kilometer in 1983. The figure reached 1,969 yuan, or increased by 271 percent, in 1987. (3) The accumulative rate of railway authorities drops with each passing year. The amount of allottable construction funds from each 100 yuan of revenue earned by China's railway authorities was 23.8 yuan in 1985. The figure dropped to 22.2 yuan in 1987. The average annual rate of reduction was 3.4 percent. As the revenue earned by the bureau was comparatively more than other bureaus, its accumulative rate was higher. But its decline was the greatest of all. Its allottable construction fund from each 100 yuan of revenue earned was 39 yuan in 1985. But it dropped to 35.9 yuan, or at an annual rate of 4 percent, in 1987.

(4) The return of railway investment gets lower. While the amount of construction funds available is limited because of the decline of the accumulative rate, the cost of railway construction has increased so that the return of investment is very low. The cost of railway construction was 573,000 yuan per kilometer during the First 5-Year Plan. It reached 488,000 yuan during the Second 5-Year Plan and was 726,000 yuan during the readjustment period. It was 1.316 million yuan during the Third 5-Year Plan, 1.428 million yuan during the Fourth 5-Year Plan, 2.158 million yuan during the Fifth 5-Year Plan, and 3.1 million yuan during the Sixth 5-Year Plan. Therefore, the construction cost during the Sixth 5-Year Plan was 4.4 times more than that during the First 5-Year Plan. At present, the railway construction cost has soared to more than 5 to 6 million yuan per kilometer, which is more than nine times more than that during the First and Second 5-Year Plans. In other words, the amount for maintaining 10 kilometers of railway soon after liberation can now only cover the cost for maintaining a kilometer of railway.

Third, the policy of a low railway freight charge has developed a number of phenomena which are unfavorable to China's economic and social lives, in addition to bringing about difficulties to the railway authorities.

1. The low railway freight charge inevitably encourages a sharp increase of social demand on transportation, which further develops a duplicated and irrational flow of transportation, thereby wasting the transport capacity and intensifying the tense situation in railway transport.

2. The low railway freight charge is unfavorable to the readjustment of the transport structure, so that it is difficult to rationally and effectively give play to the advantages of various means of transportation.

3. The artificially imposed low railway freight charge is unfavorable to a rational distribution of the national economy, and there will be no coordinated development in terms of the relations and proportion among the processes of production, transportation and sale.

4. Values created by the low railway freight charge are transferred to the users. In particular, following the increase in the growth of individual economy, foreign investment and joint ventures, those valued created by the railway authorities have been largely transferred into the hands of individual households and foreign businessmen, which is unfavorable to the centralization of finance by the state.

5. The low railway freight charge is unfavorable to the practice of contracting work on a full scale, as no one will be able to construct any railway by depending on his own accumulative funds, thereby intensifying the contradiction between the capital required for railway development and the need for improving the transportation capacity. This also restricts the development of railway transport, and brings about a lasting effect that the railway transport cannot meet the demand for national economic growth and people's livelihood.

Fourth, we must readjust the low railway freight charge.

At the 3d Plenary Session of the 11th CPC Central Committee, Comrade Zhao Ziyang pointed out: "We must voluntarily and systematically readjust those irrational prices that hinder the development of production, so that the rise and fall of prices will be favorable to the rationalization of the structure of industries and products." As the low railway freight charge has hindered the development of China's productive forces, we must resolutely readjust and reform it. On the one hand, the state must, when formulating an overall plan for reforming the pricing system, include reform of the railway freight charge as one of the important contents, and basically improve the ability of railway authorities in accumulating their own funds; and on the other, it is suggested that we should first partially readjust the railway freight charge under the present conditions in

which the pricing system as a whole cannot be reformed on a full scale and the prices are yet to be fully rationalized. The specific plan is as follows:

1. We should allow the railway freight charge to float on the basis of the price index of the means of production.
2. We should fix special charges on the usage of new railway lines in accordance with the principle of not losing the capital or that of pursuing marginal profits while not losing the capital.
3. We should levy charges by line or by section on the usage of railway lines which are in very great demand. Particularly, we may raise the railway freight charge on materials that have to be transported via those railway lines which are in high demand.
4. We should increase the railway freight charge on transportation by refrigeration and container cars, which are operated at a loss, in accordance with the principle of not losing the capital.
5. We should increase the railway freight charge on the transport of petroleum and other goods that are highly profitable.
6. The railway departments should enter into contracts with some departments in charge of major means of production such as iron and steel, coal, cement, timber and petroleum, and link the railway freight charge to the prices so as to practice transportation at a negotiated price.
7. We should appropriately increase the price of tickets for all passenger trains to Shanghai and Guangzhou, which are in great demand.
8. We should increase the railway freight charge on luggage and parcels.

Through the above-mentioned partial readjustment, we shall put an end to the seriously distorted railway freight charges, increase the ability of railway authorities to handle the price increase, and appropriately boost their level of accumulative funds so that they are able to technologically transform and construct themselves, to promptly put an end to the situation in which China's railway equipment is outdated and its technology is backward, and to gradually make it conform to the development of the national economy as a whole.

**Information on 'Number One' Northern Port**  
40060008 Beijing JINGJI XIAOXI  
in Chinese 16 Aug 88 p 1

[By correspondent Liu Enrui 0491 1869 3843 and special correspondent Chen Guangming 7115 0342 2494: "The Number One Port in the North—Touring the Dandong-Dadong Port District"]

[Text] On the northern tip of China's 18,000 km coastline, a new shining star has been inserted—it is the

Dandong-Dadong Port, which has recently been opened to international shipping.

It was a hazy day with light rain when we drove to visit the port.

We stopped at a compound displaying a large sign "Headquarters of the Dadong Port Engineering Works," where chief engineer Ju Shuquan [7263 2885 2938] and Party Secretary Sha Jianye [3097 1696 2814] received us and introduced us to the past history and present condition of the Dandong-Dadong port district.

Dandong Port is an old port over 80 years old. It originally comprised the two port areas of Dandong and Langtou, both inland ports on the Yalu River. To meet the needs of opening to the outside world, invigorating the economy, and economic development, development of a new port district became a matter of urgency. In 1982, the Ministry of Communications approved a feasibility study by the Water Transport Planning and Designing Institute of the Ministry of Communications, studying the developing of the Dandong-Dadong port district. Construction of the first berth was basically completed this June and opened for service.

The Dadong port district is located on the eastern wing of the Liaodong Peninsula at the mouth of the Yalu River, with Dadong township of Donggou County behind it, and is a gateway to the ocean for the eastern part of China's northeast. Dadong Port has several things in its favor. Highways connect it directly with Dandong, Shenyang, Dalian, and all localities of the three northeastern provinces. The railway connects with the Changchun-Dalian, Beijing-Shenyang, and the Shenyang-Jilin trunk lines, as also with Korea over the big Yalu River bridge. By water all Chinese and foreign ports are within direct reach, and the distances to several Southeast Asian ports are comparatively short. The port district has good conditions for safe berthing, it has a good year-round deepwater harbor that does not freeze.

The Dadong port district has a large economic hinterland with abundant supplies of goods, as well as excellent storage and distribution facilities. With Dandong, Benxi, and Fushun as the closest economic hinterland, there is an abundance of products from these areas, since they are economically flourishing and are shipping out large quantities of commodities. According to the outline of the Water Transport Planning Institute, by the year 1990, commodities shipped through Dadong Port will reach 2.5 million tons. The vast eastern regions of Jilin and Heilongjiang provinces are the more remote hinterland for Dadong Port. So far 60 million yuan have been invested to construct a structure for a 10,000-ton berth and a 5,000-ton general cargo berth with accessory equipment. Sixty individual engineering projects have been completed, and the annual handling capacity is 260,000 tons, with domestic and foreign services having already started. Up to this stage, the Dadong port district has developed into a medium-type deepwater port district, mainly for the accommodation and unloading of

large and medium tonnage vessels, undertaking the shipment of bulk commodities and export goods. The Dandong-Langtou port district will serve as auxiliary harbor with medium and small berths, capable of accommodating and unloading 3,000-ton or smaller vessels, undertaking shipment of domestic trade goods. The new Dandong port will be made—in a rational division of labor and as a comprehensive development—into a northern port with large, medium, and small berths available at the same time.

Party secretary Sha Jianye finally told us with utmost confidence that according to the outline for Dadong port district, in the Eighth 5-Year Plan Dadong Port will construct, during the first period of engineering projects, six berths with a handling capacity of up to 3.7 million tons. From 1995 to 2000, several more deepwater berths will be constructed to increase the handling capacity of the port to 6.88 million tons. From now on, the engineering project entails increasing the 5,000-ton capacity to a 10,000-ton berth capacity. On hearing his explanations, we were deeply impressed with the great breadth of vision of those in charge of the construction. Their continuing contribution will make this into another modern deepwater harbor of China and an important port in the scheme of opening up to the outside world.

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## AGRICULTURE

### Inner Mongolia Crop Area

40060031c Hohhot NEI MENG GU RIBAO in Chinese  
27 Jul 88 p 1

[Excerpt] In 1988 the area sown to crops in Inner Mongolia was 67,860,000 mu, an increase of 760,000 mu over 1987, or 1.13 percent. Of this amount, the area sown to grain and soybeans was 54.2 million mu, an increase of 1,010,000 mu over 1987, or 1.89 percent; and the area sown to beets was 1,540,000 mu, an increase of 430,000 mu, or 38.17 percent over 1987. In 1988 the area sown to wheat was 14,610,000 mu, an increase of 1,090,000 mu over 1987; the rice area was 500,000 mu, an increase of 80,000 mu over 1987; and the sorghum area decreased 140,000 mu from 1987. In 1988 the region used more than \$11 million to import fertilizer and plastic film. In the first 5 months of 1988, agricultural banks and credit cooperatives provided 977 million yuan in farm loans, an increase of 25.3 percent over the same period in 1987.

### Jiangsu Pesticide Output

40060031a Nanjing XINHUA RIBAO in Chinese  
10 Sep 88 p 1

[Excerpt] In August Jiangsu Province produced 1,871 tons of pesticide; in July the province produced 1,362 tons.

### Qinghai Afforestation

40060031b Xining QINGHAI RIBAO in Chinese  
28 Jul 88 p 1

[Excerpt] During the spring season, Qinghai Province afforested 574,000 mu, fulfilling 88 percent of the annual plan.

### Study on Swine Fever, Atypical Swine Fever

40060509 Beijing ZHONGGUO SHOUYI ZAZHI  
[CHINESE JOURNAL OF VETERINARY  
MEDICINE] in Chinese No 4, 22 Apr 88 pp 10-12

[Article by Gao Ruilun 7559 3843 0243 of the Ministry of Agriculture, Animal Husbandry and Fishery, Chengdu Medicine and Equipment Plant: "A Study on the Prevention of Swine Fever and Atypical Swine Fever"]

[Text] The author has made the following study to clarify the origins of the essential differences, and the results of immunization prevention between typical and atypical swine fever.

#### A. A comparison of the characteristics of swine fever and atypical swine fever

The comparisons, based on test results, are listed in Table 1.

Table 1

|                         | Swine Fever  | Atypical Swine Fever  |
|-------------------------|--|---|
| kidney                  | over 95 percent bleed from small needle-shaped holes                     | over 70 percent bleed from small needle-shaped holes, but very few holes          |
| bladder                 | over 95 percent bleed from small needle-shaped holes                     | over 50 percent bleed from small needle-shaped holes, but very few holes          |
| gall bladder            | over 90 percent have ulcers  | over 30 percent have mild ulcers  |
| ileocecal valve         | over 95 percent have button-shaped ulcers                                | sometimes button-shaped ulcers appear, sometimes they don't                       |
| throat                  | over 95 percent of ulcers developing on the edge of epiglottal cartilage | sometimes ulcers appear on the edge of epiglottal cartilage, sometimes they don't |
| lymph nodes             | over 95 percent with swelling and massive hemorrhaging                   | over 95 percent with swelling and massive hemorrhaging                            |
| spleen                  | infarction in over 90 percent  | infarction in over 90 percent   |
| body temperature        | continued fever  | continued fever   |
| rate of disease come-on | 100 percent (in non-immunized pigs)                                      | 30-50 percent (in non-immunized pigs)   |
| death rate              | 95 percent (made up of disease come-ons)                                 | 20-50 percent (made up of disease come-ons)                                       |

Table 1

|                                      | Swine Fever   | Atypical Swine Fever   |
|--------------------------------------|---|--|
| symptoms of clinical manifestation   | first constipation, then diarrhea with a stench of rotting fish   | no prior constipation, the diarrhea does not smell of rotting fish |
| Course of disease                    | short   | long (it can reach one to two months)                              |
| Blood serum                          | can neutralize the rabbit [tuhua 0347 0553] toxins in swine fever | can neutralize the rabbit [tuhua 0347 0553] toxins in swine fever  |
| inspection of enzyme sign            | positive  | positive or negative   |
| immunization with rabbit blood serum |   | neutralization value over 1:32                                     |

### B. An Experimental Probe Into Reasons for Atypical Swine Fever

1. Selecting 20 non-immunized pigs weighing between 50 to 65 kgs, and inoculating them by hand with 1ml of strongly toxic, de-fibrin swine fever blood of the Shimen series. The result was death from typical swine fever in each pig.

2. Selecting 10 non-immunized pigs weighing between 25 to 35 kgs, and inoculating them in the same way with

strong swine fever toxins. The result was death from swine fever that was not sufficiently typical.

3. Selecting 10 non-immunized piglets of 45 to 50 days old, and inoculating them in the same way with strong swine fever toxins. The result was death from swine fever that was not typical at all.

4. Selecting 10 immunized pigs of 362 days old and inoculating them in the same way with strong swine fever toxins. The result was death from something we dare not call swine fever.

An examination of the pathological changes in the pigs that died after being inoculated with swine fever is shown in Table 2.

Table 2

| Experimental Pig Categories           | Number of Pigs | Bleeding from small needle-shaped holes in the kidneys | Bleeding from small holes in the bladder | Throat Ulcers | Gallbladder Ulcers | ileocecal valve ulcers |
|---------------------------------------|----------------|--|--|---------------|--------------------|------------------------|
| non-immunized pigs, 50-75 kg          | 20             | 100%   | 90%                                      | 95%           | 90%                | 100%                   |
| Non-immunized pigs, 25-35 kg          | 10             | 100%   | 60%                                      | 70%           | 70%                | 100%                   |
| Non-immunized piglets, 45-50 days old | 10             | 80%  | 10%                                      | 70%           | 50%                | 90%                    |
| Immunized pigs 362 days old           | 10             | 40%  | 70%                                      | 20%           | 30%                | 60%                    |

Based on Table 2, non-immunized pigs weighing between 50 and 75 kgs without antibodies show typical pathological changes when inoculated with strong toxins; non-immunized pigs weighing between 25 and 35 kgs with nearly absent original antibodies show a reduction in pathological changes leading to death, but it is not fully evident; although non-immunized piglets of 45 to 50 days old have antibodies, the virus has harmed their tissue organs and decay has set in fairly prominently; 362-day-old pigs were each immunized with one dose of weak toxic rabbit swine fever vaccine (Inoculated at the age of 30 days) and ten of these were inoculated with strong toxins whereupon they died from swine fever with

pathological changes not typical at all. If one did not know the swine fever inoculation caused the death, he will not dare diagnose it as swine fever.

Based on this we can say that the primary reason that swine fever harms the tissue organs and brings about decay is a result of the swine fever virus in the body neutralizing the mother antibodies and the immunization protein cells.

The visual symptoms in pigs that had been inoculated with swine fever and died are shown in Table 3.

Table 3

| Experimental Pig Categories  | Number of Pigs | Incubation Period (hours) |     |    |    |    | Erythema on skin | Continued Fever | Excrement    |          |   |
|------------------------------|----------------|---------------------------|-----|----|----|----|------------------|-----------------|--------------|----------|---|
|                              |                | 24                        | 36  | 48 | 60 | 72 |                  |                 | Constipation | Diarrhea | Watery excrement without the stench of rotting fish |
| Non-immunized pigs, 50-75 kg | 20             | 85%                       | 15% |    |    |    | 100%             | 100%            | 100%         | 100%     |   |

Table 3

| Experi-<br>mental<br>Pig Cate-<br>gories            | Number<br>of Pigs | Incubation Period (hours) |    |     |     |     | Erythema<br>on skin | Continued<br>Fever | Excrement         |          |  |
|---|-------------------|---------------------------|----|-----|-----|-----|---------------------|--------------------|-------------------|----------|--|
|   |                   | 24                        | 36 | 48  | 60  | 72  |                     |                    | Constipa-<br>tion | Diarrhea | Watery<br>excrement<br>without<br>the stench<br>of rotting<br>fish |
| Non-immu-<br>nized<br>pigs,<br>25-35 kg             | 10                |                           |    | 50% | 50% |     | 100%                | 100%               |                   |          | 100%   |
| Non-immu-<br>nized<br>piglets,<br>45-50<br>days old | 10                |                           |    |     | 10% | 90% | 100%                | 100%               |                   |          | 100%   |
| Immu-<br>nized<br>pigs, 362<br>days old             | 10                |                           |    | 10% | 30% | 60% | 100%                | 100%               |                   |          | 100%   |

From Table 3 we can see that aside from the non-immunized pigs weighing between 50 and 75 kgs which had the clinical symptoms of typical swine fever, the other categories of pigs were not sufficiently typical and their characteristics as a whole were: a lengthened incubation period, they didn't pass through the process of first being constipated and then having diarrhea, they maintained the original continued fever, and they showed erythema on their skin, etc. The cause of the decayed clinical symptoms are still related to the effect original antibodies and immunization protein cells have in neutralizing the virus.

5. To verify whether the pigs actually had swine fever antibodies, we used the blood serum of 45 to 50-day-old piglets and 362-day old immunized pigs in a ratio of one to four and took 50 rabbit infection amounts in the swine fever rabbit toxins. The infection effect was done at 22 degrees C for 90 minutes, and then we inoculated rabbits in a neutralization test with the following results: 70 percent of 45 to 50-day-old non-immunized piglets had original antibodies; the 362-day-old immunized pigs all had 4x antibodies. But, none could resist the attack on one ml of de-fibrin swine fever blood of the Shimen series and all died from swine fever. Based on this, we feel that the existence of antibodies can inhibit or neutralize a virus, this biochemical reaction of peculiar antibodies causes pathological changes and decay symptoms from swine fever, so atypical swine fever is not an independent category of swine fever but is the result of changes produced under conditions of inhibition.

### C. The Biological Characteristics of Atypical Swine Fever

Because of interference from swine fever original antibodies from the mother and low titer immunized protein cells, after the swine fever virus invades the pig's body,

the virus develops a series of changes and manifests the following biological characteristics:

1. Atypical swine fever has the dual characteristics of carrying toxins and immunization.
2. Immunization can be obtained when rabbit bodies are put through a mutual immunization experiment, and the swine fever rabbit toxins are attacked without leading to a fever reaction.
3. When the atypical swine fever virus is inoculated into pigs without antibodies from the mother or pigs with 4x antibodies from the mother are passed through one or two generations, the toxic strength clearly is rejuvenated and re-strengthened.
4. Atypical swine fever has the five prominent special pathological changes of typical strongly toxic swine fever, but the manifestations are light and not typical.
5. The peculiar clinical manifestations of atypical swine fever are: constipation does not precede the diarrhea (with the stench of rotting fish), the diarrhea has excreta substance, the course of the disease is long, the rate of death from the disease is 30 to 50 percent, but there remains a continued fever. The skin shows erythema.
6. Atypical swine fever has a high positive rate in neutralization tests. For the atypical swine fever virus immunization rabbit blood serum, the neutralization value reaches over 32x.

From the above we can see that the blood serum types in the viruses of atypical and typical swine fever are the same, the main difference being the strengths they have to cause the virus; also, the symptoms of atypical swine fever are lighter and the pathological changes deteriorate.



#### D. Research Results in Immunization Prevention

At present the central focus of doubts are: can atypical swine fever be prevented by using the strongly toxic rabbit swine fever vaccine? Why is atypical swine fever emitted after inoculation with that vaccine? Our research results are:

1. Immunization inhibition: the offspring of sows that have been immunized once or twice in a year shows high, medium, low or zero numbers of antibodies from their mothers at the age of 2 months. Inoculating them with one dose of swine fever vaccine (150 immunization amounts) results in about one-third or one-fourth of them suffering inhibition of the antibodies from their mothers. So, the emission of swine fever is again atypical.

2. Immunization endurance: because sow immunization is not affirmed in the offspring, infected placenta toxins are first passed on to the piglets and the piglets conceal the source of disease (the internal transmission origin), and second, when the piglets are feeding off their mothers there is recessive infection. When the piglets are inoculated at 2 months of age with one dose each of swine fever vaccine, they show the ability to withstand the immunization; not only does this not produce the power of immunization, but it stimulates the emergence of atypical swine fever. (The reason may be that swine fever that has gone through recessive infection is in a balanced state in the pig's body, meaning antibodies and the antigen are in a stalemate, and only then does the virus not have the opportunity to reproduce and proliferate. Once manual inoculations of swine fever vaccine are given (the antigen), neutralization effect is produced with the antibodies in the body. Thus, the antibodies cannot be locked in a stalemate as they could with the original antigen, equilibrium is lost, the virus can reproduce and proliferate and the pigs show clinical symptoms.) The immunization endurance caused by the recessive infection of swine fever is the most difficult obstacle to eliminate in immunization. This causes even one, two, or three doses of swine fever vaccine in the two injections to be of no avail. Also, it is a current point of disagreement among units using the vaccine and medicine factories.

Summarizing the above, maternal antibodies inhibit the vaccine (antigen) to produce immunity and can not ward off the infectious invasion of swine fever; however, there is a definite immunization antibody with a certain inhibitory effect that causes the invading swine fever virus to change into atypical swine fever. Also, immunization endurance results from recessive infections. This is absolutely not a case of the weakly toxic rabbit swine fever vaccine itself not being able to be prevented and cared.

3. The primary obstacle affecting the swine fever vaccine's ability to immunize is that the swine fever source from the mother is passed on to the antibodies: (1) The reason: possibly pig antibodies that come from their mother combine with the antigen (vaccine) to neutralize, antibody absorption on the surface of the antigen prevents the antigen from penetrating many hematopoietic stem cells, the antigen degrades, the organism cannot be

induced to an immunization response. (2) Method of resolution: the general method to eliminate source of resistance interference with immunization is to weaken the source of resistance, but our studies indicate the contrary, the reasons being: first, because the power to produce immunization in sows is insubstantial, there is the possibility of recessive infection of swine fever, toxins transmitted in the placenta to piglets will create reproduction failure, or birth of offspring carrying toxins, and the source of the disease cannot be eradicated because the antigen leads to the production of immunization endurance and this is difficult to tackle; second, because piglets actually have a low density of immunization, they are easily infected with swine fever and the virus strengthens its momentum under transmitted inhibitory conditions; third, postponing the immunization time of piglets until they are older means an even greater threat of swine fever infection. We chose to strengthen the immunization of the sows (twice in one year) and immunization of barren sows or strengthen the number to four doses once a year (600 immunization amounts), and give immunization inoculations (of 32 times the antibodies of the mother) to their offspring when they are 51 to 60 days old. This ensures that the piglets actually have density of immunization and the ability to resist infection. Under the premise of heightening the antibodies from the mother, we used the increased four doses to eliminate the obstacles to immunization caused by the antibodies from the mother inhibiting the swine fever vaccine. (If we immunize the piglets at a younger age, the antibodies from the mother reach a peak and studies prove this both costs more money and is an unnecessary exercise in futility.) (3) Experiment Results: use of four immunization doses (600 immunization amounts) over a 13-continuous immunization period got 100 percent protection. In production practice (referring to 106 MLD of strongly toxic swine fever resistant), the observation of over 30,000 individual pigs showed not one with swine fever.

From this we can see, four doses of swine fever vaccine can prevent swine fever and atypical swine fever and the problem of swine fever immunization endurance is readily solved.

#### E. Brief Summary and Discussion

1. Although swine fever and atypical swine fever have peculiar symptom manifestations and pathological changes that cause differences in virus strength, they are not different types and the blood serum type of their resistance sources are similar in structure.

2. Experiments prove that the primary reason for decay is the result of biochemical reaction under conditions where distinctive antibodies from the mother and immunized protein cells exist.

3. Using swine fever vaccine for prevention is effective. If we can eliminate disturbance to antibodies from the

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mother, the rapid production of immunization power in swine fever vaccine and maintaining prevention effectiveness over a long period is a sure bet. With the

appropriate immunization method, eliminating swine fever is both possible and greatly hoped for.  
13072/7310

### Public Unrest Presents New Problems for Law Enforcement

40050007 Hong Kong CHENG MING  
[CONTENDING] in Chinese No 130, 1 Aug 88 pp 18-20

[Article by Luo Rujia 5012 3067 0163: "An Increasingly Unhappy and Assertive Population Takes on the Bureaucracy"]

#### [Text] Extraordinary Public Security Conference

The Chinese Communist political and legal establishment has held a series of important conferences in Beijing since early July to discuss the law and order situation, which began deteriorating last year and has worsened in the past several months.

Most noteworthy was the meeting convened by the Ministry of Public Security from 29 June to 6 July and attended by the heads of provincial, municipal, and autonomous regional public security bureaus and departments as well as their counterparts from provincial capitals and key cities.

Li Peng [2621 7720], premier and Politburo standing committee member; Qiao Shi [0829 4258], secretary of the Central Discipline Inspection Commission and Politburo standing committee member; and Chen Junsheng [7115 0193 3932], a State Councillor, attended the meeting on 5 July. In his address to the gathering, Li Peng said that as reform intensified, all sorts of contradictions would multiply and social conditions would become more and more complicated, with some unavoidable social repercussions. He emphasized that since reform required a stable environment, public security work must be reinforced and measures taken to deal with unrest and foreign infiltration and sabotage.

It is rare in recent years for two standing committee members of the Politburo (Li Peng, Qiao Shi) and two State Councilors (Chen Junsheng, Wang Fang [3769 5364]) to interest themselves in a public security conference. It is also rare for the premier to attend and address such a gathering in person. This only shows that the latest meeting was no routine gathering.

#### Disturbances Occur With Increasing Frequency

Data disclosed at the conference paint a picture of steadily increasing murders, explosions, arson, poisoning, and theft. It was also disclosed that the number of major cases has been rising sharply. But what was not specified was what constituted major cases. The impression was that these cases were the only reason that prompted the authorities to call such an important meeting.

In fact, the government would not have reacted so anxiously had it been an increase in criminal cases alone. Nor would a rise in student unrest in itself justify such official alarm. On the Chinese mainland today, the idea

that the authorities need not be feared is spreading rapidly among members of the public. People are less and less tolerant of the incompetence of the CPC and make trouble at the drop of a hat, as illustrated by the rising number of public complaints against the government. Coupled with other factors, this has made life very difficult for the authorities. To complicate things, group disturbances resulting therefrom have been happening more and more often in close succession. Witness:

—On 14 March, Zhu Xiaolin [2612 2556 3829], one of the top 10 singers on the mainland who vaulted to fame with her song "Mother's Kiss," was booed and jeered during a concert in Zhuzhou, Hunan Province. Over 1,000 people rioted at the stadium.

—On 4 April, hundreds of workers attacked a passenger train in Shaoguan, Guangdong Province, injuring dozens of people.

—On 20 April, disgruntled peasants from Jiaomawangdui in Changsha, Hunan Province, unhappy with the authorities for breaking its promise and failing to honor a contract, pushed 50 carts loaded with vegetables into the municipal government building.

—On 25 April, workers from Fufeng County Food Factory in Shaanxi Province poured five carloads of spoiled milk into the courtyard of the county government building.

—On 21 May, a group of Guangdong peasants, angry at public security personnel for shooting people, stormed the public security bureau, freed the prisoners, and burned office files and police vehicles.

—On 21 May, 200 peasants in Henan attacked the court for administering the law unfairly. Seventeen public security workers were beaten up and injured.

—On 23 May, 1,000 soccer fans rioted in Nanchong, Sichuan. In the melee, the public security bureau was attacked and 130 people were wounded.

—Between 4 and 11 June, about 1,000 peasants in Renhua County, Guangdong Province, beat up the police and occupied a coal mine. Their grievance: foot-dragging by the authorities over a pollution problem.

—On 9 June, workers at Jingbian Factory in Benxi, Liaoning Province, went on strike over the incompetence of the factory director appointed by the higher level. In the end, the workers succeeded in driving him out of office.

—From early March to 21 June this year, over 1,000 peasants in Fangshan County outside Beijing clashed with 2,300 policemen as they protested the pollution from a petrochemical plant. Dozens of people were killed or injured.

With large-scale group disturbances being this frequent (more may have been hushed up,) no wonder they pose a threat to CPC rule and make the nervous leaders sit up and take note.

#### **Young People Tend To Act Rashly and Make Trouble**

Injustice, inequality, and official corruption are rife in Chinese communist society. Young people are extremely dissatisfied with reality, a feeling which got bottled up inside them over time. As a result, they often seek, or create, opportunities to vent their feelings. This is why disturbances are happening more and more often and on an ever expanding scale.

A good case in point is the above-mentioned incident in Zhuzhou in which Zhu Xiaolin was booed and jeered during one of her concerts. It started out as a minor event but led to a disturbance involving over 1,000 people. It was the second performance in Zhuzhou by Zhu Xiaolin and her group. People started booing as soon as the show opened. Five or six songs into the show, pieces of crumbled paper, orange peels, beverage bottles and assorted objects were hurled onto the stage. Then it was the famous singer's turn to perform. Both angry and fearful, she did her best to put on a good show in hopes of calming the audience. Near the end of her third number, however, her left shoulder was hit by a paper ball (later found to contain the kernel of a peach.) She finished her song and hurriedly left the stage, only to be forced to return by an unexpected outburst of thunderous clapping. Microphone in one hand and the kernel of unknown origins in the other, she said, "Thank you for your warm support. Next I am going to sing 'Mother's Kiss,' my first big hit. But let me say a few words first. The Zhuzhou audience is civilized and warm. But some members of the audience are uncivilized, impolite, and uneducated. They should respect themselves and behave with dignity. If this is how the audience of Zhuzhou conducts itself, then the tiny bit of favorable impression I have of Zhuzhou would be spoiled." (Some people reported hearing "a minority in the audience" instead of the "audience of Zhuzhou;" it was not clear what she said. Maybe it was these few words and the "tiny bit" she said later that ignited the disturbance.) Then she calmly started singing her famous tune.

The audience was upset by Zhu Xiaolin's words. As commotion in the stands intensified, more and more miscellaneous objects landed in the performing area. Some people began shouting and started to push toward the stage. A terrified Zhu Xiaolin threw away the microphone and left the stage sheltered by a worker. Immediately she was led out of the stadium through a back door, slipped into a bread car, and was driven out of the city.

By now tension in the stadium had risen a few more notches. Yelling, "Kill Zhu Xiaolin! Make her apologize to the people of Zhuzhou!" a bunch of young hooligans rushed down the stands and broke into the performing area. They smashed the lighting equipment with bamboo

brooms and cut the microphone wires into several pieces. Then they dashed into the men's changing room, shouting, "Capture Zhu Xiaolin!" Tables with thermos and glasses on them were overturned and several pieces of glass in the windows and doors were broken.

A number of public security policemen maintaining order at the scene were surrounded and attacked as they tried to control the rioters.

As 1,000 approached, over 1,000 people were still gathered at the stadium, refusing to disperse. Only when dozens of policemen, rushed to the scene in response to a call to reinforce the personnel there did the crowd leave the stadium.

At around 1030, although most of the audience had left, a group of people (about 200), still seething with anger, continued to hang around on the street and stopped passing cars, even checking the car belonging to the director of public security to see if Zhu Xiaolin was hidden inside.

Another shocking disturbance was also instigated by young people. On 4 April, hundreds of workers in railroad uniforms stormed Train No 252 at Shaoguan Station and beat up the attendants on board. In no time uniform-clad workers became animal-like hooligans. Not only did they pursue and attack passengers and attendants with hammers, iron bars, spikes, and rocks, but they also stripped the female attendants naked, beat them up brutally, and humiliated them. One attendant who was two months pregnant was kicked so hard that she miscarried. Instantly a reign of terror gripped the entire station. Thirty three people were injured. What makes one boil with indignation is that the dozen or so policemen at the site turned a blind eye to the mob's atrocities and ignored the female attendants' pleas for help. Reports say that the incident occurred after three people, claiming to be "free passengers," tried to board the train but were refused. An investigation by the work group of the Ministry of Railways in conjunction with its counterparts from the railway bureaus of Guangzhou and Zhengzhou concluded that the incident was an organized retaliatory action.

As for the riot involving soccer fans in Nanchong on 23 May, it was extensively reported in the foreign media and need not be repeated here.

Most of the participants in these three cases were young people who gathered together to make trouble for a moment's satisfaction without considering the serious consequences. Campus unrest is politically motivated. Not these few cases. They are law and order cases, pure and simple. While they do not worry the leadership too much, they are the biggest headache for the police.

#### **Bureaucratism Exacerbates Conflicts**

Of the 10 serious disturbances enumerated above, three, or 30 percent, were ordinary law-and-order cases, as pointed out earlier. Another two, or 20 percent, arose

over the misapplication of law by law enforcement authorities. The remaining five cases can be attributed to incompetence on the part of the Chinese Communist leadership. These two groups of cases, which between them account for 70 percent, are political in nature. Thus apart from student unrest, a new dimension has been added to political disturbances in China and seems to be spreading rapidly.

Incompetence and insincerity on the part of Chinese Communist officials have sent disputes between government and people soaring in recent years. From another perspective, this can be interpreted as a sign of rising democratic consciousness among citizens in the wake of reform and opening up to the outside world, making it harder for officials appointed under the old system to hide their shortcomings. The inevitable result is public discontent fueling large-scale incidents in which members of the public attack a government department. Such incidents started last year and have been happening more frequently this year.

According to an article in SHI YUE, a large literary periodical, peasants in Cang County, Shandong Province, dumped a huge quantity of rotten garlic at the county government office building last year. What happened was that leaders on the county CPC committee had encouraged county peasants to grow garlic, the more, the better, profit guaranteed. As a result, there was a bumper harvest of garlic last year, but no market. The peasants took the garlic to the county government. To other surprise, the latter refused to take responsibility. Actually it neither put together a procurement program nor allowed businessmen from outside to procure. Consequently hundreds of thousand jin of garlic simply rotted away. The enraged peasants hauled them into the county government building and poured them into the offices through broken windows. Five hundred peasants were arrested. With the county CPC committee determined to track down the ringleaders, five people committed suicide.

Almost a carbon copy of this incident happened in Changsha on 20 April last year.

The most telling illustration of popular discontent with the bureaucratism of Chinese Communist officials happened on 25 April as the workers of Fufeng County Food Factory in Shaanxi Province poured five car-loads of spoiled milk into the courtyard of the county government offices. A tidal wave of foul-smelling milk escaped through the doors and flowed half a block in the county town.

At about 1000 that day, a convoy of five cars loaded with 12,800 kilograms of milk was returning to the Fufeng County Food Factory located 15 kilometers from the county town. As they approached the main entrance, they were surprised to find their way blocked by road-blocks put up by cadres from Dongxiwan Village demanding a toll of 100,000 yuan.

Zhao Jinli [6392 6855 4409], production section chief who was waiting at the factory for the fresh milk to be used in the manufacturing of powder milk, rushed to the scene and tried to reason things out with the village cadres. He might argue till he was blue in the face, but the cadres just refused to let the milk cars go through if they did not pay a toll.

There being no alternative, Zhao Jinli called the county government at 1120 and asked for emergency help. The person at the other end of the line said, "Let me make contacts above (that is, in the county town), while you think of a way below (meaning Jiangzhang Town)."

After hanging up the phone, Zhao Jinli sought help from the head of the department in charge. The latter then called the Jiangzhang Town government. A succession of calls followed. Meanwhile, two county leaders and their aides were in the neighborhood and were informed of what was going on. However, apart from the head of the department in charge who went to the scene to put in a few words, no other leader turned up to deal with the incident.

At 1330, the director of the county government office telephoned the town leaders to ask them to visit the site to resolve the problem, explaining that he could not do so himself because he had no car. (A bus runs between the county town and Jiangzhang Town every 20 minutes.)

After 1500, the government of Jiangzhang Town met to discuss the incident. However, the milk had already turned bad and began to stink. In addition, there were 5,000 kilograms of fresh milk in the hands of peasants, there being no cars to take them to the factory. The workers of the food factory could take it no more. Along with Zhao Jinli, they finally poured the spoiled milk into the courtyard of the county government building; the county government's rule-bound and rigid way of doing things had come under attack. For a while this incident was investigated by each and every one of the six so-called major players—the county CPC committee, the People's Congress, the Chinese People's Political Consultative Conference, the military, and the discipline inspection commission.

#### **Democracy and the Rule of Law Should Go Hand in Hand**

If the first two incidents are a "chronic disease," then the last one represents an "acute disease." Such is the way in which government-people conflicts intensify. How, in your view, did the people of Fufeng County regard the whole episode? This is what they said, "The government only pays lip service to the idea of serving the grassroots. People have been complaining for a long time." "The lords and masters in the county government would not wake up unless we make them smell the coffee."

"Lords and masters in the county government" indeed! Mao Zedong once said that Chinese communist cadres, "whatever their rank, are the servants of the people."

The fact is that many Chinese Communist cadres have degenerated from "revolutionary cadres" into "feudal bureaucrats." It seems that as government-official estrangement continues, all sorts of disturbances can only increase despite moves by the Chinese Communists to beef up public security. This is because the general trend of reform and openness in Chinese society will further liberate the people's thinking. More and more they will refuse to tolerate injustice, unfairness, and inequity in all forms and stand up boldly and righteously to defend their legitimate rights and interests.

To defuse rising social disturbances, the Chinese Communists must take a two-pronged approach, namely democracy and the rule of law. The two are interdependent and neither can do without the other.

However, the Chinese Communists at present are tackling only one of the two—legal construction—and stepping up public security, instead of truly advancing democracy. This is the wrong way. Bear in mind that what the Chinese Communists call the "rule of law" historically applies to the people and not the government. Government-people conflicts involve two parties, the government and citizens. By building up the rule of law and not democracy, the Chinese are looking at one

side of the issue, instead of resolving the problem fundamentally, and in effect sowing the seeds of future stability. This kind of bureaucratism is bound to create more trouble and lead to yet more unrest.

At present officials at all levels are appointed. Even in so-called elections, the cadres elect one another or are elected by appointed "people's deputies." Officials are simply not elected directly by the people. They are not accountable to the people, the party, or the government, but only to their superiors. It would be strange indeed if this kind of "lords and masters" do not serve as a lightning rod for government-people conflicts. With these "lords and masters" in power, the masses simply do not believe there is true rule of law and hence would not think of taking on the powers that be through legal channels, as the CPC urges. There is just no alternative to disturbance.

Thus if the Chinese Communists want to maintain law and order and reduce unrest, they must promote democracy as well as the rule of law and use them to constrain the actions of officials and of the people alike. This is the only way to bring about a harmonious and orderly society.

12581

**Military Regions Open New Retrofit  
Pilot-Training Bases**

40050382c Beijing JIEFANGJUN BAO in Chinese  
23 Jul 88 p 1

[By Liu Congli 0491 1783 4409: "Air Force Sets Up  
Airmen Retrofit Training Bases"]

[Text] Beijing, 22 July—This writer learned today from the Air Force Headquarters that, with the approval of the Central Military Commission, the Air Force has set up in each of seven military region air forces one airmen retrofit training base, which is responsible for the task of giving retrofit training to the new pilots in the region's fighter and attack plane units. In system and establishment, the composite training of the new and veteran pilots in aviation units has been thoroughly changed, thereby affecting the consolidation and improvement of the units' combat effectiveness.

The Air Force's setting up of airmen retrofit training bases is an acceleration and deepening of the Air Force's training reform, and is an important component part of the new three-level training system: flight school—training base—operational unit. In the past, after the new pilots graduated from flight school, they were sent directly to the operational air units, which undertook the their retrofit training task and attainment of the "three types of weather" operational standard. This not only added to the burden of the units and was detrimental to insuring the training quality of new pilots, but also held back the veteran flyers from raising their operational training standard. Setting up airmen retrofit training bases separates the new pilots from the aviation units, which is beneficial to improving the training quality of new pilots, and which also concentrates the manpower and materiel resources of aviation units, raises the operational training standard of veteran pilots, and puts the training of new and veteran pilots on a regular, systematic track.

The seven airmen retrofit training bases are reconstructions from seven air divisions and regiments, and are under the organic leadership of their respective military region air forces. At present airmen retrofit training bases are still in the experimental stage. After experience is gained, they will be formally put into effect. A little over six training regiments that have the task of training new pilots will then be gradually dismantled.

09727

**GSD Notice on Reserve Unit Military Training**

40050382b Beijing JIEFANGJUN BAO in Chinese  
23 Jul 88 p 2

[Text] To strengthen the military training of reserve units, the PLA General Staff Department [GSD] has issued a notice stressing that conducting well the military

training of reserve units is the basic way to improve the combat effectiveness of reserve units, and is the largest quantity and most regular type of work.

The notice pointed out: Since being formed the reserve units, in line with the demands of the military training outline, with military training for rapid mobilization and the improvement of the units' overall operational capability as the goal, have obtained marked successes. However, because the time since formation is not long and the experience is insufficient, plus the fact that there is not much training equipment and it is not in complete sets, the site facilities are not effectively perfected. In training there exist the problems that arrangements for tasks are not rational enough, the organizing of facilities are not standardized enough, and the training levels are fairly low grade. The notice stressed that conducting military training well in peacetime not only is the basic way to improve the combat effectiveness of reserve units, but is also the largest in quantity and most regular work in the building of reserve units. Therefore, we must put military training in a strategic position and really get a tight and good grip on it. The military training of reserve units must be subordinate to the overall situation in state economic construction; be in accordance with the demands for wartime mobilization; be based on existing equipment; keep in mind future developments; conform to the principle of giving prominence to key points, laying a good foundation, and gradually making improvements; and must be hard and strict. We must get a good grip on technical and tactical basic training, and we must also get a good grip on integrated training, constantly improving the units' capability for rapidly mobilizing and for carrying out operational missions.

The notice demanded that prominence be given to key points and that there be overall plans and arrangements for training tasks. In principle, all personnel in reserve units must take part in military training. The key focal points of this training are the senior officers and organizations of divisions and regiments, the military commanding officers of fendui, and the backbone elements and specialists of combat fendui. For the training of the various types of personnel, we must differentiate and handle them according to their different military quality. Arrangements must first be made for personnel who have newly entered the reserve units and who have not yet undergone training. Those among demobilized army-men and personnel who have undergone primary militia training and whose assignments do not match their specialties should take part in specialized training, joint training, and exercises. Among the local personnel whose assignments match their specialties, the preassigned specialist officers, and the preassigned drivers and repair technicians, as well as the preassigned stretcher bearers and warehouse storekeepers will only take part in item-by-item examinations and in exercises. The notice put forward demands on the training's content, time, and methods, as well as on the strengthening of the training's leadership and methods.

09727

**Establishment of Reserve Units Examined**  
40050384b Shenyang DONGBEI MINBING  
[NORTHEAST MILITIA] in Chinese  
No 6, 4 Jun 88 p 15

[Article by Li Yongmao 2621 3057 5399, deputy chief of staff of the Liaoning Provincial Military District: "Exploring the Establishment and System of Reserve Units"]

[Text] Like those of active units, the establishment and system of reserve units should be advantageous to the improvement of combat effectiveness. However, in this existing independent establishment, no matter whether looked at from the angle of practice the other day, or whether talked about from the angle of developing trends, there still exist contradictions that are hard to overcome: Some areas have reserve divisions and some areas do not, a situation that objectively causes unequal burdens. After the reserve units form their own system, not only are they out of line with the militia but also their relations with the local party and government and with the people's armed forces departments are not very smooth. Being built up from nothing, they lack the objective conditions and the material foundation for independent existence. The reserve units that have been formed in China are limited to a small number of cities (prefectures), and it would be difficult for them to form a nationally integrated mobilization network. This situation is unsuitable for dealing with a war in the future.

To better reform and perfect the establishment and system of reserve units and to readjust their distribution, we think that the reserve divisions, which are now concentrated in some cities (prefectures), should be reformed into reserve regiments and dispersed to all or some cities (prefectures). The specific methods for readjustment would be: 1) Dismantle the existing reserve divisions and their headquarters, and, except for one regiment that would remain in a given city (prefecture) where a reserve division was originally, the rest of the regiments would separately go to other cities (prefectures) that do not have the task of forming reserve units. All headquarters at the experimental points for reserve divisions of each arm would temporarily remain in place and continue to seek experience in building organic divisions. 2) Because the tasks of forming reserve units and the number of cities (prefectures) in the provinces are not completely identical, the provinces would be treated differently. Some provinces (cities) that had formed fairly few reserve divisions would, in line with the economic situation and the operational mission of each place, form reserve divisions in some of their prefectures. Provinces and cities that have the task of forming many reserve units would, after forming one reserve regiment for each city (prefecture), with regard to the remaining regiments either form two regiments in a given city to fortify it or dismantle them. 3) With regard to the post-readjustment reserve regiments, the headquarters of a given regiment would be set up in the military subdistrict's organizations and would be put

under the military subdistrict's leadership. The military subdistrict would add one military and political deputy post each; and the headquarters, political and logistics organizations would each add one deputy post. The reserve regiment's political commissar would be a post held concurrently by the deputy chief of the city government's general office or the deputy secretary of the city's party committee, so as to enhance the leadership of the local government and local party committee over the reserve units. 4) The active duty cadres of the headquarters of the original division would replenish the military subdistrict's organizations and the reserve regiment. This practice will neither reduce the number of reserve personnel nor add to the specified number of active personnel in the establishment; also, various existing contradictions would be resolved. This kind of establishment rests on the foundation of the former independent establishment and supplemental establishment, promoting what is beneficial and abolishing what is harmful, so that the two are organically combined and form a new pattern. Its advantages are: 1) It balances the burdens on all places. Each city (prefecture) can concentrate its limited financial and material resources on building one regiment. 2) It conforms to the principle of peacetime-warfare integration and army-locality integration. By forming reserve units provincewide, once war breaks out the existing reserve regiments can be swiftly expanded into divisions. 3) It smooths out the relationships between the reserve units on the one hand and the people's armed forces departments and the local party and government on the other hand. After a reserve unit is put in an army of the armed forces' establishment, it is neither the military department of the local party committee nor the military service organization of the local government. As for a county (city) people's armed forces department and a reserve regiment, the former is at the secondary county level and is under local leadership and the latter is at the regular regiment level and is subordinate to the armed forces. Thus many problems are not solved well. After the reserve regiments are put under the leadership of the military subdistrict, these contradictions can be readily resolved. 4) There is dependable life support for the cadres in reserve units. After the reserve units' establishment was made independent, because they did not have barracks, barracks furnishings, and mess halls, and also because they did not have plans for getting outside income, the problems in living conditions could not be solved very well. After readjustment, under the leadership of the military subdistricts there is unified management for administration and unified arrangements for life. Not only is daily life supported, but even such a knotty problem as living quarters for cadres' dependents who accompany the military forces is solved well. 5) It makes up for the shortcomings in the present establishment of the military subdistrict. At present, in the establishment of a military subdistrict, because the deputy posts in the headquarters, political and logistics organizations have been abolished, as have the sections of the organizations, there are no full and deputy regimental posts (only one logistics department director is a full regimental post), and a "step" has been broken off in



the "flight of stairs" for cadre posts. After readjustment, arrangements can be made for some extra-establishment cadres, and a "flight of stairs" for full and deputy regimental posts can also be built, a situation which will make it easy to better arouse the enthusiasm of the organization cadres.

09727

**Developing Logistic Support for Limited War**  
*40050382a Beijing JIEFANGJUN BAO in Chinese*  
1 Jul 88 p 3

[Article by Li Lun 2621 0243: "Analysis of the Guiding Ideology for Logistics Support in a Limited War"]

[Text] **Precis:** There are many differences between the logistics support of a modern limited war and the logistics support of a major war, and there are also many differences with the logistics support of a limited war in the past. We need to make an effort to explore its characteristics and laws. In forming the guiding ideology for logistics support of a limited war, we should stress the grasping of the idea of rapid reaction, the idea of independent support, the idea of overall support, and the idea of striving for results.

Many factors hold in check a world war in the present age, but limited war and conflicts occur continually and constantly. Limited wars have become a research topic of universal interest in military academic circles. There are many differences between the logistics support of a modern limited war and the logistics support of a major war, and there are also many differences between it and the logistics support of a limited war in the past. We need to make an effort "to go deep into this mountain and explore its subtleties," to understand and grasp its characteristics and laws. In this respect, we should especially explore and clarify the guiding ideology for logistics support of a modern limited war.

The guiding ideology for the logistics support of a limited war is the core of the logistics theory of a limited war. It must be in line with our military strategy and operational plans, suit the characteristics and demands of a modern limited war, and integrate the PLA's traditions and experiences in logistics support with today's reality and future developments. I agree with the almost unanimous view of academic circles in recent years that in determining the guiding ideology for logistics support of a limited war stress should be put on grasping the following points:

**The Idea of Rapid Reaction**

In a limited war under modern conditions, the one who starts it always seeks, through a sudden, fast strike, to seize the advantage of the first move; the other side also strives, through rapid reaction, to break free from passivity and seize the initiative. Rapid reaction has already become an

important factor affecting the outcome of a war, has already become the basic guiding ideology for the armed forces of all countries in the world, including the PLA, in dealing with limited wars. It demands that logistics support be carried out in synchronization with operations.

Since the beginning of the eighties, several limited wars have occurred in the world. To get the better of the enemy first, the units taking part in the war often maneuver while deploying and fighting. Their logistics also maneuver while deploying and supporting, completing in the shortest possible time the support missions of supplying, rescuing, repairing, and transporting. This situation requires that the rapid reaction capability of logistics be improved; otherwise, providing effective rapid support will be empty talk. In the Malvinas Islands War, the British forces were able to form a task force within three days that included the Navy's main forces and start it sailing south in the Atlantic Ocean. The task force was able to reach the war zone 20 days later. The British forces imposed a sea and air blockade on the Malvinas Islands and the surrounding sea area, and seized the initiative in the war. To a great degree the British forces benefited from rapid logistics support. After the British forces' logistics received the order, it swiftly revised its support plan. It completed the mobilization and refitting of several dozen merchant ships, the augmentation of logistics units, the allocation and transport and the loading and unloading of materiel, and other tasks, thereby insuring that the task force would sail on schedule and arrive in the predesignated sea area on time. After the Argentine forces learned that Britain had dispatched troops, their logistics still could not be mobilized for the emergency and still could not go all out in support. This was also an important reason for the defeat of the Argentine forces.

The PLA's military academic circles now universally think that, to improve the rapid reaction capability in a limited war, there needs to be set up a rapid reaction force that is well equipped and that has a fairly high degree of combined arms. In line with this, the logistics also should form a rapid support unit to improve the capability of logistics to meet emergencies. The logistics rapid support unit should be the vanguard of logistics, and in the limited war and sudden incidents of the future it should be able to play the role of a "fist." Therefore, it must have a crack establishment, be quick in movement, have advanced equipment, have integrated complete sets of equipment, have a strong rapid reaction capability, and be able at any time to perform independently a logistics support mission. In forming the logistics rapid support unit, we must draw lessons from the experiences of foreign armies, but we should even more keep in mind the reality of China and the PLA, including how we are to form it, under limited materiel conditions, in line with what principles and the adoption of what forms; and how we are to make it suit the direction, scale, operational patterns, are battlefield conditions of a limited war or sudden incident that could occur on China's periphery. At the same time, in training content and methods, we

differentiate it from ordinary support units, and really give it highly difficult, close to actual combat comprehensive training against the background of limited wars and sudden incidents, so that it possesses fairly strong rapid reaction capability, integrated support capability, and field survivability.

### **The Idea of Independent Support**

To deal with a full-scale war it is necessary to have nationwide mobilization, all-people participation, and comprehensive support. But limited wars on a medium- and small-scale are usually waged within the scope of a certain war zone, or at the most will spread to some adjacent war zones. Therefore, the logistics support of a limited war should, with the unified overall planning of the Military Commission and the PLA General Headquarters and with the war zone made primary, be independent support.

The majority of China's war zones are vast in area and rich in natural resources. After many years of management and construction, they have considerable foundations and are perfectly able to form an independent logistics support capability. The key lies in clearly recognizing the unique position and role of the war zone in a limited war. A war zone is a basic strategic unit in the strategic direction that independently carries out operational missions. Not only is it the executive unit that engages in a limited war on the periphery and is responsible for winning a war in the strategic direction; but also it is a relatively independent entity that integrates the use of the economic, military, scientific and technological, and other forces in the war zone, and integrates long-term construction with dealing with medium- and small-scale limited wars. Therefore, we should give full attention to enhancing the logistics building in the war zone and to improving the logistics support capability.

Logistics combat-readiness is the foundation and premise of wartime support. In line with the requirement for independent support in a limited war, logistics should maintain a high level of combat-readiness in key directions and areas. The logistics emergency support plan needs to form a complete set with the emergency operational plan, and as much as possible be comprehensive, flexible, and multiscaled combat readiness. With regard to the range of support, there must be several stratified, multisenario situations. With regard to the objects of support, there must be support plans for single vehicle type and single service arm operations and for combined arms operations of all arms and branches of the service. The logistics facilities in the key directions and key areas should be linked up to form a unified whole. With regard to materiel resources, there must be a complete variety and the proportions must be appropriate in order to avoid adversely affecting support because of materiel shortages, or cause waste because of materiel overstocking.

In addition, under the circumstances in which active logistics units have been streamlined, to complete independently the support missions in a limited war, we must set up a

logistics reserve force and strive to strengthen the building of these forces. The way of forming logistics reserve units can be that of integration, that is, logistics regiments and battalions in which the supply, rescue, transport, and repair functions are complete. Its merits are that when the regiment or battalion takes part in battle, after a little reinforcement it can independently perform an integrated support mission for a unit or part of an area. The other way is to form specialized logistics reserve units (fendui), like a motor vehicle reserve regiment or battalion, a medical reserve battalion or company, and a technical repair reserve battalion or company. This kind of unit is convenient for flexibly mobilizing in line with specialized needs, or for flexibly forming, after mobilization, logistics units (fendui) with different specifications or functions, in order to meet the needs of different operational needs and different operational patterns.

### **The Idea of Integrated Support**

What is called integrated support means, in accordance with the operational intent and plan, and under the unified guidance of the war zone's logistics, to organically combine the military, government, and civilian support forces, make overall plans for their development, integrate and coordinate, and form a regional network logistics support system. Making use of the various forms and means of support, this system provides truly, comprehensive, unbroken logistics support to the Army, Navy, and Air Force units taking part in the war and to the local armed forces.

A modern limited war is usually a combined arms operation by all branches and arms of the service, and it imposes very high demands on the integrated coordination of logistics support. Therefore, we must change the past idea of making support for army ground operations primary to the idea of supporting the integrated operations of all branches and arms on the ground, at sea, and in the air; incorporate the various logistics forces with different subordinate relationships into the logistics support system; explore new mechanisms for coordinating the logistics of the branches and arms; and build regional combined arms support networks—both fully displaying each one's superiorities and forming the optimum integrated joint forces.

The idea of establishing integrated support, in which the military and the government are one organic whole and the military and civilian are one organic whole, is favorable for displaying the fundamental superiority of the PLA's logistics support. This requires mobilizing nongovernmental logistics forces, making the economic system in the war zone a "large-scale logistics," breaking with the "closed-type" in developing the military and the locality, and incorporating the building of the war zone's logistics into the overall plan for the area's economic development, so that the overall arrangement of the war zone's logistics is closely linked with the overall arrangement of the area's economy, and from the war zone and all campaign directions a logistics support area is formed that integrates the military and the civilian, is

advantageous for both peacetime and wartime, and possesses special support capability.

Establishment of the idea of integrated support is also convenient for improving the stability and dependability of the war zone's logistics support, because under the unified command of the war zone's logistics and through a rational deployment, the various support forces of the military, government, and civilian sectors are formed into one whole. In space this expands the support range, and through a network-type logistics support system, the logistics support of all battlefields and all operational directions is integrated, so that the logistics support in the war zone and on the battlefields form an organic whole.

### **The Idea of Striving for Results**

Economic strength is the material foundation for war. The increase in material strength in a limited war must depend on stressing the results of support. The characteristics of a limited war are a strong degree of unexpectedness, fast changes, and a large consumption of materiel, and also many varieties, so that the logistics support tasks are extremely arduous. Generally speaking, in the peripheral areas communication is inconvenient, the economy is not very developed, and it is fairly difficult to raise money. Therefore, logistics materiel needs to depend on long-distance transport. Under these circumstances, registration of how in logistics support to manage well and use well the limited operational materiel and to improve logistics results is of important significance to the sustained support capability of logistics and to the guarantee of victory in a limited war.

Precisely as some comrades have proposed, to enhance logistics support results, we should first of all make an effort to improve efficiency. When we talk about "efficiency" here we mean the accuracy of the support plan, the success rate of support actions, and the battlefield regeneration rate of weapons and equipment. Efficiency is the manifested form of results. Only by heightening efficiency can support results be improved. Second, we need to write an "article" on the reform of the establishment. A smooth logistics support system can get good support results, and can raise and increase on an equal footing manpower, material resources, and financial resources. Third, we should find solutions through scientific management. Fourth, we must improve the quality of personnel. During war man is the subject of logistics support activity, and is the decisive factor in whether logistics support is effective. Only by fundamentally improving the quality of logistics personnel can we implement the principle of "low consumption and high results."

The results of logistics support are not pure economic results, but one should keep in mind the integration of the military, the government, and the economy, and whether something is advantageous for achieving victory in a limited war—this general goal—in evaluating the level of support results.

### **Profile of General Logistics Department Director Zhao Nanqi**

40050384a Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese No 190, 16 Jul 88 pp 26-27

[Article by Chin Po 6855 1591: "Zhao Nanqi: General Manager of the Chinese Communists' Military"]

[Text] Zhao Nanqi [6392 0589 6386] is 62 years old this year. Of middle stature, he is a little stout. On first seeing him you feel that he is amiable, cordial, and easy to approach. If you have more contact with him you will discover that his image is different than that of the ordinary person's impression of a military man. He seems more like a scholar who is earnest and tireless and who is good at instructing others, or a colleague with rich experience. This is probably connected with the fact that he was engaged for a long time in local work and political work.

### **Zhao Nanqi Is Korean**

Zhao Nanqi, a Korean, was born in Yongji County, Jilin Province. In 1945 Japan lost the war and surrendered. The Chinese Communists' armed forces formed the Northeast Field Army, which was ordered to recapture the three northeastern provinces. Zhao Nanqi, who was 19 at the time, at the end of that year became a student in the Jilin branch of the Northeast Army Political University. At that time he was also the leader of a civil transportation work team in Jilin Province. This was the beginning of his connections with military logistics. In 1947 he joined the CPC, and he held in succession the post of clerk in the Jilin prefectural committee's organization department, chief of its general office, and secretary of the prefectural party committee. Looking at these experiences, at the beginning of Zhao Nanqi's military career he was more of a civil official than a military officer. Because he was a minority nationality cadre, he did not accompany the army when it moved south and took part in the Peiping-Tianjin Campaign and the River-Crossing Campaign; he was transferred to the Jilin provincial party committee's policy research office, where he became a researcher.

### **He Took Part in the Korean War and Became a Staff Officer**

After the Korean War broke out, Zhao Nanqi first served as a staff officer in the Volunteer Army's Headquarters. He later served in its Logistics Department and was responsible for planning materiel transportation. He took part in the entire Korean War. In 1955 he entered the PLA Logistics Academy to pursue advanced studies. In 1959 he returned to Jilin. Over the next 25 years he held, in succession, leadership posts in the Yanbian Military Subdistrict, Tonghua Military Subdistrict, and Jilin Provincial Military District. He held the important party and government posts of first secretary of the party committee of the Yanbian Chaoxian Autonomous Prefecture and chairman of the prefecture's revolutionary

committee; chairman of the NPC Standing Committee of the Yanbian Chaoxian Autonomous Prefecture; vice governor of Jilin Province; and deputy secretary and secretary of the Jilin Provincial CPC Committee. Zhao Nanqi's period of work in the Jilin Provincial Military District and the provincial party committee was precisely the period, after the 3d Plenary Session of the 11th CPC Central Committee, when order was brought out of chaos and when there was agricultural reform and an overall readjustment of the national economy. In Jilin Province are the fertile Songliao Plain and Korchin Grassland, but previously the province's grain output had been very low, and each year only 300 million jin of grain had been turned over to the state.

After 1978 began, Jilin Province put into practice the rural household fixed quota contract responsibility system. The total output of grain shot up to more than 18 billion jin, thereby ending the long period of fluctuation in grain output. In 1982 the total grain output broke the 29.5 billion jin mark. In 1983 there were 1,302 jin of grain per capita in Jilin Province. Its grain commodity rate plus the amount of grain turned over to the state (8.3 billion jin) put it on top of the list in China, and the province has become one of China's main granaries.

#### **Zhao Nanqi Enters the Military's Highest Ranks**

In 1985 there was a major reshuffle of the high-ranking personnel in the Central Military Commission, and Zhao Nanqi became first deputy director in its General Office, where he helped Hong Xuezhi [3162 1331 2535] and became responsible for the office's overall work. In 1987, not long after the 13th CPC Congress, he was promoted to director of the PLA General Logistics Department.

#### **General Manager of the Chinese Communists' Military**

The director of the General Logistics Department is the general manager of the PLA. As the saying goes, "it is hard to be a great master." The low amount of national defense expenditure is known to all. The level of 20 billion yuan in military expenditures in U.S. dollars is a little more than \$5 billion. Thus the communist armed forces' annual per capita military expenditures are only about \$1,600, less than one-fifth of India's. Chinese military personnel account for 13 percent of the world's total military personnel, but China's military expenditures are only 0.5 percent of the world's total military expenditures. No wonder that when Hong Xuezhi visited the United States an American official asked curiously: With so little money in the military moneybag, how can you sustain the 3 million-strong Chinese armed forces?

When he first took his post, Zhao Nanqi felt the enormous pressure of the "contradiction between supply and demand in military expenditure." Equipment needed to be replaced, places had to be found for several hundred thousand specialized cadres who had been transferred to civilian employment, after the cut in the PLA some problems in military

equipment and weapons had to be dealt with, the 3 million active personnel had to be fed and clothed... and so on and so forth. The armed forces are a consumer unit. Although military expenditures increase a little every year, the increase cannot keep up with the rise in prices. In the past 3 years the price index has risen by more than 20 percent while military expenditures have only gone up by 7 percent. This makes life difficult.

Even so, from first to last Zhao Nanqi has kept a cool head. He is fully confident that he can do good logistics work, because he thinks that the Chinese armed forces possess factors that cannot be compared with foreign armed forces, and that "they are the PLA's superiority." First of all, China is still a country of low wages and low consumption, and the Chinese armed forces have always shared weal and woe with the Chinese people. Therefore, the PLA's outlay for the cost of living is not high. Second, the Chinese armed forces have a fine tradition, namely, they give full consideration to the overall situation and share the country's cares and burdens. Under the circumstances in which the state is in economic difficulties, the PLA has taken the path of having the armed forces support themselves and of pursuing self-development. For example, throughout the PLA now, for mess expenses the method of "standard plus subsidy" has been adopted. This provides 70 percent of the mess expenses and a self-subsidy of 20 percent is provided by production, thereby insuring the basic nutritional needs of the enlisted men. Third, the strategy of the Chinese communists for equipment development is different than that of foreign armed forces. The Chinese communists' armed forces must use their limited amount of money to do many things and to handle affairs well.

#### **The Art of Spending Money**

During the "Cultural Revolution," among the common people there was a pet phrase: "Watch every penny." Zhao Nanqi still believes in "this way of running a household." He thinks that the competition in national defense strength between countries is not only a competition in national defense investment but more importantly is a competition in investment returns, that is, a competition in the art of spending money; and that in the reform of armed forces logistics one should stress the art of turning 1 fen into 2 fen.

Over the past 2 years there has been a series of reforms in the supply system and management system of the Chinese armed forces' logistics. The materiel and funds task completion responsibility system, the capital construction investment task completion system and tender invitation contract system, and the reserve materiel planned price accounting system have been put into practice. Auditing regulations and systems have been set up, systems that directly link use benefits to the units' interests. The bottomless pit style of project investment has been reformed, and certain malpractices in the "supply system" and "eating out of one big pot" have

been overcome. In 1988, with the approval of the Central Military Commission, all hospitals in the PLA were opened to the public; warehouses, airfields, docks, repair centers, and military supplies factories were also opened to the outside world, providing compensated services. At present the PLA has more than 400 farms, more than 200 military supplies factories, more than 10 army horse ranches, and a number of economic entities with abundant forces in industry, agriculture, planting, and aquatic breeding. In line with the policy of military-civilian integration, PLA inside-outside integration, industry-trade integration, and repair-construction integration, these enterprises make use of the law of value to guide production and to participate in social commodity competition. Over the past several years, the PLA's gross value of industrial output has increased on average per year by 10.53 percent and by a per year profits tax increase of 11.62 percent. The results of these reforms not only made up for the insufficiency in military expenditure and set up a good cycle for military-civilian compatibility, but also made the armed forces themselves become an important force in state economic development and no longer just a single consumer unit.

At the NPC session held this spring, Zhao Nanqi told the representatives about his ideas for the development of

logistics work. He said that the current situation of reform and opening up impels logistics work to reform and open up. In the coastal open zones, besides having a number of planting, aquatic breeding (including marine product breeding), processing, services, and other industries, as well as the corresponding scientific and technological forces, the armed forces have some real estate. We can use these superiorities and foundations to actively participate in the state's strategy for developing the coastal economy, developing the externally operated economy and the "three kinds of partially or wholly foreign-owned enterprises," broadening outlets, and also engaging in large projects. Yang Shangkun [2799 1424 2492] has already said that the armed forces have solved this major problem with little fuss. At present the General Logistics Department's policy is to give a free hand to each unit to develop itself. In the open zones, for the armed forces, besides enjoying the same preferential conditions as the localities, the PLA General Headquarters has also set up corresponding organizations and has formulated corresponding policies to promote their development.

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## CENTRAL-SOUTH REGION

**Profile of Guangdong's Vice Governor Yu Fei**  
40050377 Hong Kong KUANG CHIAO CHING [WIDE  
ANGLE] in Chinese No 190, 16 Jul 88 pp 30-32

[Article by Sen Linmu 2773 2651 2606: "Guangdong's  
First Vice Governor Yu Fei"]

### [Text] Not by Accident, Yu Fei Is Flying High

Yu Fei [0060 7378], with a junior high school education and at nearly 60 years of age, has become the First Vice Governor of Guangdong. It is by no means an accident for the province to select this pioneer type officer to take charge of this important job. On the one hand, in order to open its gate still further, the province needs the experience of this leader who has been in charge of finance and foreign trade for a long time; on the other hand, having a personality of courage and wisdom, and being daring in speech and in action, Yu Fei has the capability of making Guangdong advance still further.

### Ma Wanqi [7456 5502 4388] Praised Yu Fei in Public

Ma Wanqi, a celebrity of Macao, came to his ancestral county, Nanhai, for a vacation in the summer of 1984, and to observe the condition of public welfare programs he has financed and that of construction of projects which he has taken on in cooperation with the mainland. While there, the leaders of Nanhai County told him that solutions must be found for some engineering problems, he told them to look up Yu Fei, saying that Yu Fei is very capable and can resolve any difficulty. Ma Wanqi's profound impression of Yu Fei is an indication that this First Vice Governor of Guangdong has quite a reputation outside of the province and is definitely noticed.

An expert in adaptations Yu Fei's capability is especially remarkable in his skill of using adaptation to resolve complex problems.

In recent years, China has been in the process of reform. Many old policies are obviously no longer suitable under the situation of opening and reform. Additionally, in the stipulations of the old and the new policies, the departmental regulations, and regulations between supervising and subordinate ranks, there are many mutually contradictory phenomena to bring many headaches to the leaders in their day to day work and sometimes there is no way to make everything fit together. Due to their inability to resolve problems on time, some provincial and municipal leaders cannot help but allow the situation to fluctuate and not a few good opportunities have thus been lost. Yu Fei, however, is the type of person able to resolve these contradictions due to his skill in using methods of adaptation.

For example, in the past, if an enterprise incurred debts the repayment was not to be taken out of its income until

after the income tax was paid. For this reason, the repayment period was dragged on for a long time. Meanwhile, before the debt was cleared completely, there was a limit to the amount allowed for bonuses. This practice was unfavorable for utilizing loans for construction and technical reform of the enterprise. In 1982, as the mayor of Foshan, Yu Fei declared at the municipal conference on utilization of foreign capital that enterprises are permitted not to pay income taxes and are allowed to assign bonus reserves before the debts are all paid. At that time, someone asked him that the central government has no such regulation. Would he be able to carry it out? Yu Fei said: "We must insist upon the principle of practicality. If the spirit of the Third Plenary Session of the Central Committee of the CPC is adhered to, we will always be affirmed and supported by the central government."

Later, this method of adaptation of Foshan was extended to the entire province of Guangdong and many enterprises were thus activated.

Again for example, according to the past regulations of CPC, all gifts of overseas Chinese and persons of Hong Kong and Macao for the construction of a project of public benefits must be used for that project and cannot be shifted to other uses, but there was no mention that these gifts must be cash money. When Yu Fei was working in Foshan, he already was willing to accept gifts of such materials as automobiles, steel reinforcements, etc., from overseas Chinese and persons of Hong Kong and Macao before changing these materials into cash to be used to construct public projects. Due to the fact that the cash value of these materials in mainland markets is very different from that of international markets, 1 dollar from such gifts was often worth several dollars. When public projects are built in this manner, a great deal less money was needed. Not a few overseas Chinese and persons from Hong Kong and Macao praised this method of spending less and launching more projects.

### Turn Around at a Red Light

Later, as this type of method of adaptation is being extended to many places in Guangdong, someone used images to describe it as "turning around at the red light." Of course, there can be cases for which adaptation would not do, or even can be violations the law and the discipline. For example, automobiles and materials were imported by some places in the name of gifts, at a cost far exceeding the engineering project; consequently the automobiles and materials were frozen. Other places used gifts as a pretense to smuggle automobiles into the country. When those who were in charge of those places were criticized and punished, they were very indignant. "Why is it that Foshan can do it and we cannot do it? Why is it that Foshan is not considered as doing something wrong and we are?" There is indeed a mystery, which is, as Yu Fei said it once: it is a matter of suitable time and suitable degree.

A suitable time means grasping an opportunity. When Yu Fei was in Foshan, he organized some persons to study seriously the related policies of the supervising agencies for the purpose of finding a method of adaptation to the policies and dealing with matters timely so as not to lose the opportunity. When other places followed suit to turn the method into a common phenomenon, Foshan sensitively felt that the supervising agency may want to formulate new regulations; therefore, the method was timely given up, and a new way to do things was thought up. Secretary Lin Ruo of Guangdong Province said to them "No rope is going to be strong enough to tie your hands and feet."

A suitable degree is to grasp appropriateness. Whatever Yu Fei had to deal with, he always takes into consideration the extent to which a method may remain suitable. He would not either go to excess or do too little; therefore, when he went after benefits he usually reached the maximum degree, and when he tried to avoid damage, he usually was able to minimize it. On the problem of importing automobiles, some places learned to do it like Foshan did, but they did not pay attention to the suitable degree.

Timely and in a suitable degree embody the art of leadership of Yu Fei. This is exactly where he is astute.

Thoroughly possessing a business acumen Yu Fei's skill in adaptation is closely related to his long term experience in dealing with commerce.

He began to work in the commerce and finance departments of Guangdong Province in 1950, and took jobs as the secretary of tax and customs of Nanhai County, Guangdong Province, the vice chairman of monopoly sales division, vice chairman of department of industry and commerce, head of the bureau of grains, vice chairman of the finance committee, head of the department of financial affairs, chairman of supply and sales association of Foshan Region, the head of the bureau of commerce, chairman of the finances, etc. After he took the party leadership roles of the county, the city, and the province, his major responsibility remained financial, trade, external finance, and foreign trade work. It may be said that he had dealt with the commodity economy for 38 years and possesses great business acumen.

#### He Was Called the "Debt Mayor"

If the skill in adaptation may express Yu Fei's knowledge, the daring to incur debts may reveal his courage.

After he first became the Mayor of Foshan in 1980, constructions in the city progressed in a frightening speed. It was called the "star city," and Yu Fei also earned the title of the "debt mayor."

Speaking of debt, I am reminded of the words of a Hong Kong entrepreneur: "the extent of indebtedness reflects

the size of the entrepreneur's ability." The more the debt the higher the person's ability. In mainland China, for a long time, construction had depended upon state's distribution; no one even dared to think about proceeding with construction on borrowed money. Due to the fact that Guangdong was not a key region in the state's construction plans, construction in that province had always been very slow. After opening up, people gradually understood the use of loans from banks in the country and credits from foreign countries to accelerate construction. Debt-financed construction is like the burden of an oxen, however, it is definitely a risky venture. Only those who dare to be first in line "to eat crabs" can be heroes. Yu Fei is Guangdong's hero in this respect.

In August 1981, Foshan Municipal Committee called a full session conference to make a decision to proceed with technical reform of all the textile, electronic, ceramics, and plastics industries of the city. Afterwards, there were more than 500 plants in the city wishing to introduce production lines, key equipment, and software from foreign countries and several hundred million dollars in addition to several hundred million yuan were needed as capital. Where was the money to come from? Upon the suggestion of Yu Fei, the municipal committee passed a resolution to find loans domestic and foreign. Consequently, these items were quickly put into production cause Foshan's technical level of industrial production, its competitive ability in merchandising, and its capacity to earn foreign exchange with exports to be increased greatly. The majority of the loans borrowed for these items have by now been paid off.

Making a Blueprint of the "Trade Province" Yu Fei was transferred to the position of chairman of Foreign Economic and Trade Committee of Guangdong Province in March 1985. From surveys and research, he made a blueprint of the province's foreign economic and trade work: taking the current opportunity of international economic adjustment to participate positively in division of labor, exchange, and competition in the international economy; quickly completing the economic construction of Guangdong's coastal region to make it into an outward-oriented economy.

In 1986, he proposed that Guangdong should make an effort toward becoming a "trade province." For this, he suggested a strategy of dual emphases of coming and going. "Coming" means the utilization of foreign capital to bring in investment money, technology, and equipment. He had a big appetite in this respect. He wanted to bring in more than \$20 billion in foreign capital. "Going" means to perfect further the system of producing exports to bring about a great advance in export trade.

He also proposed to make the 10 categories of shoes, luggage, toys, garments, wood products, plastics, domestic electrical appliances, hardware, construction materials, and crafts, the pillars of Guangdong's export trade.

Following 2 to 3 years of efforts, Guangdong made giant breakthroughs in constructing an export production system with foreign capital as well as in expanding its export trade.

A certain statistic indicate that at present one-fourth of the construction capital of Guangdong now comes from foreign countries and the Hong Kong and Macao region, one-fourth of the value of the people's production of Guangdong is realized in international markets, and one-fourth of the income of the people in Guangdong

comes from outside the territory. These facts show that Guangdong has already taken a giant step on the track of an externally oriented economy toward the goal of becoming a "trade province."

Yu Fei has become First Vice Governor of Guangdong under the aforementioned situation; to carry out his blueprint he is to meet new tests and challenges.

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